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ABSTRACT

The impact of labor hire companies (employment agencies) on Australia's apprenticeship system was studied. Three data collection strategies were used: literature review; survey of a random sample of 200 labor hire firms in Victoria, New South Wales, Queensland, and Western Australia; and case studies of four recruitment and labor hire firms and their client firms. Of the 57 (29%) firms that responded to the survey, 43 returned usable questionnaires. It was discovered that, like the firms they serve, labor hire firms may be small, medium, or large. Labor hire firms operate in all of Australia's states and industries but focus on main population and employment centers. Labor hire firms have a relatively young work force, primarily offer short-term replacement/supplementation services, rely on client relationships and repeat business, and have skilled and experienced work forces drawn from the available skill pool and the labor force. It was concluded that, although labor hire has not caused Australia's decline in apprenticeships, it may have contributed to the deferral of consideration of longer-term skill requirements. (Twenty-seven figures/tables are included. Appendixes constituting approximately 60% of this document contain the following: 45 references; 4 case studies; and the survey questionnaire and a summary of responses.) (MN)

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IMPACT OF THE GROWTH OF LABOUR HIRE COMPANIES ON THE APPRENTICESHIP SYSTEM

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KPMG Management Consulting

A project conducted by KPMG for the Australian National Training Authority

November 1998

IMPACT OF THE GROWTH OF LABOUR HIRE COMPANIES ON THE APPRENTICESHIP SYSTEM

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PREFACE

At the ANTA Ministerial Conference in May 1996, Ministers agreed to a series of policy principles for the reform of employment based entry level training, including that "opportunities for young people to take up structured entry level training, including apprenticeships and traineeships will be expanded." The expansion of employment based entry level training is to take place in both traditional areas and in new industries and occupations.

In light of this objective, governments and industry have been concerned about declines in apprenticeship numbers in engineering, and building and construction industries where the apprenticeship tradition has been strong.

As a preliminary exercise in identifying the barriers to the employment of apprentices, the Australian National Training Authority (ANTA) engaged Bob Marshman & Associates Pty Ltd to provide qualitative information addressing this issue in the building, electrical and engineering trades.

The consultant reported to ANTA in January 1997 and identified areas for further work, including the need to "assess the impact of the growth of labour hire companies on the apprentice training effort, and the ways in which the labour hire industry might become active participants in the national training system."

In response to this recommendation, ANTA engaged KPMG to

- explore the implications of the growth in labour hire companies on the recruitment of apprentices and its subsequent impact on the current and future skills pool
- analyse the means by which labour hire companies develop and retain skills in their organisations, and
- recommend policies and approaches which would encourage labour hire firms to employ apprentices.

This report is the outcome of KPMG's research. Along with other research on the changing nature of employment arrangements, KPMG's findings will inform the further development of vocational education and training policy responses to this issue.

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Impact of the growth of labour hire companies on the apprenticeship system

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Executive summary

KPMG Management Consulting, in association with Bob Marshman & Associates, were commissioned by the Australian National Training Authority to examine the impact of labour hire on apprenticeship arrangements in the traditional apprenticeship industries.

We undertook this research via a survey of labour hire firms offering services to industries where traditional apprenticeships are generally found. The survey covered New South Wales, Victoria, Queensland and Western Australia. In addition, we conducted a series of case studies covering four labour hire firms and four of their client firms, and undertook a review of the research into labour hire in Australia and internationally.

We found that:

- the labour hire industry is difficult to define precisely, and as a result difficult to collect definitive information about. For the purposes of this study we have defined labour hire as an arrangement where a client firm contracts with a third party firm for the provision of contracted labour services, either on or off the premises of the client firm, and for contracts which may vary between one day and several years duration;
- our survey and case studies reveal that the labour hire industry has been buoyant over the past few years, and a majority of operators expect growth to continue;
- while longer term contracting for labour provision is growing for labour hire firms, their main business still lies predominantly in short term labour placements;
- labour hire is generally driven by widespread changes in work force structuring evidenced by down sizing and outsourcing, surges in production demand or cyclical labour requirements;
- labour hire is a result of a demand from client firms, and the conditions which are causing them to turn to labour hire rather than take on permanent employees (including apprentices) drive the labour hire firm. Labour hire firms are not responsible for the decline in apprenticeship intakes. It is a long standing and complex problem;
- labour hire firms primarily rely upon the pool of skilled people available in the labour market, and are not large providers of formalised training of the type involved in the traditional apprenticeship involving a long term contract of employment and structured on and off-the-job training;

- the labour hire business is unlikely to engage in apprenticeship training unless clients demand it or a more supportive set of arrangements are provided by government or others such as Group Training Companies;
- there is little evidence of a recognition that the longer term development of the skills pool is a responsibility of individual labour hire firms, or an issue now – it is apparently regarded as a problem 'for the future and for someone else'.

Our research complements the prevailing conclusion that the decline in apprenticeships is part of a wider and longer term phenomena that includes:

- the declining number of skilled tradespersons as a proportion of the labour force (also affecting the capacity for firms to provide appropriate supervision arrangements for apprentices);
- the outsourcing of many functions previously undertaken by skilled tradespeople;
- changing mix of skills in the workforce, including upskilling of production workers;
- apparent decline in the number of suitable recruits presenting for apprenticeships;
- corporatisation, privatisation and downsizing of the public sector which has traditionally been a significant employer of apprentices.

It is important to stress that the growth in labour hire is a consequence of industry restructuring and increased exposure to competitive pressures. As a result any reduction in the apprenticeship training effort is linked to that restructuring and not to the emergence of labour hire as a significant employer of labour. Labour hire will not go away for as long as the economic conditions that have led to its growth in the last decade prevail, and we see no evidence of their abatement. The contrary is probably more likely to be true.

Labour hire has not caused the decline in apprenticeships, although it may have contributed to the deferral of consideration of longer term skills requirements. While labour hire firms are able to access skilled workers they are unlikely to consider taking on apprentices unless their clients require them or other incentives are put in place. While firms operate in volatile market conditions and are able to access skilled labour through labour hire they are less likely to take on the perceived burden and cost of an apprentice, unless operating under an historical attachment to doing so, or believing that their specialised skill requirements will only be met through internal development of a suitably skilled work force.

Our research into the labour hire phenomenon and apprenticeships leads us to believe that:

- a collective approach is required to effect significant change – it is unlikely that individual or small scale interventions will lead to significant changes in the short term;
- consideration of the nature and reform of formal training arrangements needs to explicitly recognise that labour hire arrangements may in time cover a significant proportion of the workforce (a number of our consultations indicated a proportion as high as 1/3 of the workforce).

We believe that there are a number of actions that ANTA may consider. These include:

- further research into industry characteristics and specific industry strategy development;
- labour hire industry consciousness raising in the issue of skill formation;
- use of Group Training arrangements by labour hire firms;
- targeted incentives;
- industry levies or taxation incentives to support industry-wide skill strategies;
- development of apprentice training and contracting arrangements specifically tailored for non-permanent working arrangements/multiple placements.

Of the options for action, we believe focussing on approaches that utilise Group Training arrangements offer the best immediate return through:

- an existing "infrastructure", funding and policy base to build from;
- synergy/complementarity in business arrangements;
- higher probability of achieving volume and either arresting decline or contributing to growth;
- lower cost to government.

However, this needs to be complemented by better knowledge and development of targeted industry strategies. A focus for targeted industry strategies should include the newer or emerging New Apprenticeship opportunities outside the traditional trade areas. Here there is a less ingrained culture of long term contracts of training and opportunities for developing formal training strategies more supportive of rotating, non-permanent work placements.

If labour hire or other forms of short-term, less permanent employment relationships become the norm for a significant proportion of the labour force, then a longer term approach is required. This will have implications for how:

- the skills base of the labour force is maintained;
- communication of opportunities and benefits in apprenticeship recruitment and training for both labour hire firms and their clients;
- preparation for and information for young people in school about to make the transition into work or further study;
- the development and sustaining of a deeper commitment to training as a fundamental business investment by firms - that is, the development of a training culture.

1. Introduction

1.1 Purpose of the study

KPMG Management Consulting, in partnership with Bob Marshman & Associates, was commissioned by the Australian National Training Authority (ANTA) to provide advice on the impact of labour hire companies on the apprenticeship system.

The genesis of this project lay in work undertaken by Bob Marshman & Associates (1996) into the barriers to the employment of apprentices in the building, electrical and engineering trades. Emerging from the many interviews with employers around which this earlier research was based, was the observation that the use of labour hire firms to provide maintenance and other skilled production functions appears to be a growing feature of work and employment arrangements in industry.

Marshman reported that there was a need to "assess the impact of the growth of labour hire companies on the apprentice training effort, and the ways in which the labour hire industry might become more active participants in the national training system". This observation has been reinforced by further work undertaken by Bob Marshman & Associates (1998) into the decline in apprenticeships in the metals and engineering industry in Victoria.

The Australian National Training Authority commissioned the study outlined in the following report in order to:

- explore the implications of the growth in labour hire companies on the recruitment of apprentices and its subsequent impact on the current and future skills pool;
- analyse the means by which labour hire companies develop and retain skills in their organisations; and
- recommend policies and approaches which would encourage labour hire firms to employ apprentices.

The study focuses on areas of traditional apprentice employment opportunities.

1.2 Study methodology

We employed three main approaches for our research:

- a literature review;
- a survey of labour hire firms; and
- case studies of labour hire firms and their client firms.

1.2.1 Literature review

We reviewed literature on labour hire to determine the nature of the labour hire industry, its characteristics and size in Australia, the forces which have contributed to its apparent growth, and characteristics which may impact on its involvement in structured training arrangements. We used this information to assist in the development of the survey questionnaire and the case study interview instrument.

1.2.2 Survey of labour hire firms

A survey of 200 labour hire firms in Victoria, New South Wales, Queensland and Western Australia was undertaken. The sample was randomly selected from firms listed in the Yellow Pages under the contract labour category. Due to the focus of the study on traditional apprenticeship-based industries, firms which appeared to supply only clerical/administrative or professional services were excluded.

A questionnaire was developed (see Appendix 3) and faxed to the two hundred selected firms requesting a faxed response. Follow up calls were made to non-responding firms. A total of 57 firms responded of which 43 questionnaires provided useable responses. An analysis of the survey responses is found in Section 2.3. Appendix 3 includes a summary of all the responses.

1.2.3 Case studies

Case studies of four labour hire firms, matched with four enterprise clients of those labour hire firms were developed. A structured case study framework was developed to assist in the information gathering. The case studies were chosen through contacts from previous work with enterprises using labour hire, from discussion with labour hire operators and, in one case, a labour hire firm volunteering its involvement as a result of receiving the survey.

The case study organisations were:

- SILCAR and APM (Tasmania);
- Company Solutions and APV (Queensland);
- The Labour Hire Firm[1] and ADI (Victoria); and
- Adecco and Shoalhaven Council (New South Wales).

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[1] This participant has requested anonymity in the final report.

Our case studies were conducted in April 1998, since this time AMCOR have announced the closure of the APM Burnie Paper Mill and employment arrangements have changed. The details of this case study were correct at the time of writing.

1.3 Acknowledgments

We would like to thank all the labour hire firms who responded to the survey and spoke about the survey with us, and the case study labour hire firms and their client enterprises for giving generously of their time and knowledge to assist with this study. Without their interest and commitment work of this nature would not be undertaken.

We are conscious of the fact that many of the participants in this study have not previously considered the issues we have raised with them. We hope that our interaction with them will assist with increasing consciousness of the need to participate in consideration of future skills needs of labour hire firms and their clients.

1.4 Disclaimer

Please note that, in accordance with our Company's policy, we are obliged to advise that neither the Company nor any member nor employee undertakes responsibility in any way whatsoever to any person or organisation (other than the Australian National Training Authority) in respect of information set out in this report, including any errors or omissions therein, arising through negligence or otherwise however caused.

2. The labour hire industry

What we found:

- There is no simple definition of labour hire.
- Labour hire arrangements are not a new phenomena, yet they change over time.
- The nature of labour hire and its industry and organisational arrangements are driven by changes in the structure of firms and industries in general.
- Labour hire emerged as an arrangement for managing the supply of labour to firms experiencing seasonal or other work load fluctuations.
- In recent times, labour hire appears to be driven by increased contracting out of non-core functions by firms, or the need to achieve limitations on "permanent" workforce numbers to meet budgetary limits.

2.1 Defining labour hire

Labour hire is not a new phenomena – although recently demand for it appears to have grown.

It originally emerged, worldwide, as a response to demands in the labour market for seasonal or casual workers. Over time the factors encouraging the growth of labour hire arrangements have changed and the occupations and economic sectors where it is found has broadened considerably. "Technological development and new patterns of work organisation have facilitated this trend, as have the decentralisation, deregulation and specialisation of economic and labour markets currently reported worldwide." (ILO, 1997:72)

Defining labour hire is difficult. It is a term that appears to be used in Australia, whereas elsewhere the terms contract labour, subcontracting and contingent workforce are used. It is apparent that these terms do not hold precisely the same meaning. A recent international survey of "labour hire" type arrangements by the International Labour Organisation (ILO) arrived at a "preliminary and hypothetical" categorisation:

- job contracting – where an enterprise contracts with another organisation for the supply of goods and/or services, and the second organisation undertakes this with its own material, financial and human resources. The workers supply the services under the control of the second (or contracting) firm. Under this

arrangement the workers may or may not be employed by the subcontracting firm. This form of arrangement is similar to "subcontracting" in Australia;

- labour-only contracting – involves three parties, the contracting firm, the user enterprise and the contracted workers. The exclusive or dominant objectives of the contractual arrangement is the supply of labour. This can involve the user enterprise bringing the contracted labour onto its own premises to work alongside its workers, or to utilise them elsewhere. The workers are under the control and supervision of the user enterprise while at work. However, there is no formal employment relationship between the workers and the user enterprise;
- direct contracting – where a user enterprise contracts the employment services directly with the workers without an intermediary or third party hiring firm. In these cases the user enterprise is the "employer" of the staff for the term of the contract. A third party firm may be involved in providing the third party labour exchange service, but it has no employment relationship with the contracted workers. (ILO, 1997:5-14)

All three categories are seen in the diverse labour hire arrangements in Australia.

A further distinction between labour hire and other forms of labour contracting may be understood as the difference between:

- employment placement – where the firm engages in personnel search, selection, referral and placement in connection with employment in any field. The services may be supplied to the potential employer or prospective employee and may involve formulation of job descriptions, screening and testing of applicants and the investigation of referees (IBIS, 1997a); and
- contract staff services – where the firm is mainly engaged in supplying their own employees to other businesses on a fee or a contract basis. Assignments are mainly short term and performed under the supervision of the staff of the client unit (IBIS, 1997b).

The distinction here is between the supply of personnel to another employer (employment placement) where the service ceases when the employer engages the personnel, and the contracted service consisting both of supply of personnel and the work undertaken by those personnel (contract staff services). IBIS further distinguishes services where a workforce (or part thereof) is supplied on a long term basis, including the supervisory staff.

It is probable that many labour hire firms offer all three forms of service, depending upon the opportunities that arise. Our survey and case studies reveal, for example, that it is common for labour hire firms to offer both employment placement and contract staff services. One of the characteristics of this industry appears to be its "opportunism"

– that is, although firms may appear to specialise in particular services or industries, if a client has a requirement or a broader opportunity arises, the firms will offer a wider range of services than their chosen specialisation. This observation derives from our discussions with labour hire firms.

For the purposes of this study we believe the second category of "labour only contracting" as defined by the ILO or "contract labour" as defined by IBIS is closest to the meaning of labour hire as applied in Australia. Even narrowing our focus to this category allows for a wide range of diversity in arrangements.

Characteristics of labour hire in Australia

The defining features of a labour hire firm may include:

- the labour hire arrangement involves three parties – the labour hire firm, the worker and the host or user firm;
- the labour hire firm is the body with whom the worker enters into an employment contract;
- this employment contract may be temporary or permanent;
- the labour hire firm sources the work and engages in a contract for delivery of services with the user (host) firm;
- the contracted labour services may be of any length (less than one day to several years duration) and are generally performed on the host enterprise's premises and under the supervision of the host enterprise staff.

These features are clearly changing as the characteristics of the labour market and host firms change. For example, a recent feature has been the outsourcing of whole functions to a third party firm, including the management of the function[2].

[2] The case study of SILCAR/APM provides an example of this.

2.2 Forces driving labour hire arrangements

Labour hire is emerging in response to changes in the way work is carried out by firms.

Firm-level decisions to use labour hire

In general, host firms utilising labour hire enter into these arrangements in order to achieve:

- different work levels – characterised by surges in demand, seasonality and short term replacement staff; and/or
- differing work practices – characterised by a desire to achieve flexibility in workforce arrangements through concentration on core business; or a longer term replacement function involving insourcing/outsourcing of sub-units or the employment function.

2.2.1 Why do firms use labour hire?

One of the most significant drivers of growth in labour hire is the trend amongst both public and private sector organisations to outsource 'non-core' activities. A survey conducted by Drake International (Crosweller, 1997) found that public sector is now the outsourcing leader, with 78 per cent of Victorian respondents outsourcing work, followed by Western Australia (70%), Queensland (67%), South Australia (65%), and New South Wales (61%). This represents a fundamental change to the way people in Australia are doing business.

Thompson (1997) points to a shift in the way organisations are beginning to view themselves, moving from the traditional pyramid structure based on hierarchies to a series of concentric circles with 'core workers' at the centre and professional, contract, and labour hire arrangements filling the residual demand for services and labour. American literature refers to this as the 'peripheral workforce', a phenomenon driven largely by organisations' desire for labour and financial flexibility.

A recent survey determined that the most prevalent reason for outsourcing maintenance work was to improve maintenance service, followed by cost factors, and then flexibility (Benson, 1995).

Temporary and Short Term Projects

One frequently cited reason for employing contingent workers is labour flexibility, particularly to fill temporary vacancies created when permanent staff take annual, sick, or maternity leave. Contingent labour enables a company to fill the vacancy short term, with minimum human resource (HR) overheads. Labour hire is also used to fill temporary increases in demand, or for projects requiring specific skills. In the latter situation hiring temporary staff can be cheaper than training or hiring permanent staff. Contingent workers may also be hired to perform tasks which are inherently boring and repetitive (Allan 1997). Labour hire allows organisations to respond very quickly to changing market conditions, provided the skills required are available in the existing labour pool.

Outsource the HR/IR function

Some organisations are motivated to use labour hire as a means of outsourcing their human resource and industrial relations functions. For some firms these functions have become so complex, and so far removed from their core business, that it seems easier to pay a specialist to do it. The firm can then hire staff to suit their changing demand for skills, and access immediate replacements when staff are sick or found to be unsatisfactory, all without associated labour oncosts and redundancy overheads.

Labour hire firms have pre-screened and tested applicants, including reference checking, thereby reducing the time a client has to spend on these activities. HR and personnel issues, such as payroll, group certificates, and taxation, are taken care of by the labour hire firm, reducing the need for HR resources within the client organisation.

Prescreen Potential Core Employees

Regardless of the extent of a company's recruitment process hiring new employees can be a risky business. For many employers labour hire represents a low risk opportunity to trial workers before taking them on as permanent employees, with the added advantage that they have already been prescreened by the labour hire firm.

Industrial Relations

There was an hypothesis in America that rapid growth in the labour hire industry was directly linked to the decline in unionisation. Research has found the hypothesis to be unsubstantiated (Polivka, 1996). The original premise was that increased cost savings and flexible staffing arrangements might be achieved where unions were not present. In fact, in the construction industry contingent workers were more likely to be a member of the union than non-contingent workers. (Incidentally, construction workers, unlike

other contingent workers in America, are more likely to earn equivalent pay to core workers (Hippie 1996).

In Australia, labour hire is regarded as sensitive to changes in the industrial relations policies and practices. The IBIS Industry Outlook report (1996) cited the following as key sensitivities to the industry:

- legislative changes,
- labour market deregulation,
- enterprise bargaining,
- workplace agreements, and
- award restructuring.

Improve productivity ratios

Some sources suggest that labour hire arrangements enable companies to hide labour costs and therefore report better productivity. This may occur when a company is required to compare its annual profit with the number of employees on the payroll, to give productivity estimates. Labour hire arrangements enable the company to lower the number of payroll employees, thereby improving productivity figures. The cost of labour hire is accounted for (or hidden) as an expense or consulting fees.

2.2.2 Why do workers choose labour hire arrangements?

There is limited research on why workers choose to enter labour hire arrangements. The significant restructuring of industries, down sizing of firms and corporatisation and privatisation of public sector services suggests that many labour hire employees enter this form of work due to loss of permanent work opportunities.

However, labour hire arrangements have existed in specialised and professional areas for many years suggesting that for a proportion of the workforce a less permanent attachment to an enterprise's workforce is an attractive option. One of the labour hire firms in our case studies, in particular, has noticed an increasing tendency amongst younger people to choose labour hire arrangements[3].

In general, the formal literature on labour hire workers has focussed on workers who enter labour hire arrangements involuntarily. Here, the concern is that these workers are vulnerable to conditions of employment that have far fewer benefits than traditional employment arrangements. (Harrison, 1994; Polivka, 1996; Silverstern, 1996).

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[3] Case study – Adecco/Shoalhaven Council

Discussions with observers for this study suggest that the stronger regulation of the labour market in Australia means that this is a lesser concern, although the growth and increasing diversity of labour hire arrangements indicates that this may warrant monitoring. Two of the labour hire firms we interviewed indicated that they were concerned about operators who may be providing terms and conditions to their workers that could harm the image of the industry[4].

[4] Case studies – Adecco and Company Solutions

Why workers "choose" labour hire arrangements (Allan and Sienko, 1997)

- Unable to find a full-time or permanent position.
- Former permanent position has been eliminated/outsourced and the employee is only able to continue as a temporary or contracted worker.
- Sense of freedom at not having to remain with one employer for a long period of time.
- Variety and challenge provided by working on different assignments for different employers.
- Flexibility in hours and days worked.
- Work as a labour hire employee in hope of being taken on permanently by a host firm.
- Individuals with specialised/high demand skills may be able to earn more in labour hire arrangements than as a permanent employee.

2.3 The nature of the labour hire industry in Australia

Because of the problems in defining labour hire it is difficult to construct a detailed picture of the industry in Australia. The IBIS Industry Outlook on contract staff provides the closest comparison to our study definition, though it precludes arrangements for long term contracting of whole functions. We have drawn on IBIS, ABS, union and industry association statistical collections and our own survey to compile the following observations.

2.3.1 Size and Structure

The labour hire industry in Australia is in a development phase, with strong growth being experienced as public and private sector organisations continue to outsource non-core functions. The primary industry body for labour hire, the Recruitment and Consulting Services Association (RCSA), has 550 members in Australia, representing 85% of the industry turnover.

The RCSA's recent survey (conducted independently by Corrs Chambers Westgarth, 1998) reveals that there is particularly strong growth in the contract maintenance area; with sales revenue in this areas up by 40% in 1996/97 from the period 1995/96.

The ABS data indicates that a total of 16,548 workers were employed in contract labour arrangements in Australia as at June 1996. We believe this to be a conservative count, given the number of labour hire advertisements in the yellow pages and on the internet. Many companies engaged in labour hire also advertise themselves as personnel or other service agencies rather than contract labour suppliers, making an accurate count difficult.

Across Australia the industry appears to be dominated by a large number of small firms, particularly those with less than five employees, and a few large firms (ABS 1997). The ABS data reflects a count of employees in 'contract staff services' and contradicts IBIS (1996) estimates that one large player, Skilled Engineering, have 53% of the market share in labour hire nationally. Definitions of 'contract labour' and 'labour hire' may account for the anomaly.

2.3.2 Location

The labour hire industry is distributed according to population, with the largest concentration of employees occurring in New South Wales, Victoria and Queensland. The distribution of employees by state is detailed at figure 2.1 below.

For the larger states there are generally more labour hire employees in capital cities than in the remainder of the state, around 75% of contract labour employees being counted in city statistical divisions. The exception to this is Queensland, where only 47% of contract labourers are employed in Brisbane. The prevalence of labour hire in the mining and tourism industries, which occur in predominantly rural locations, may provide some explanation for the difference in this state.

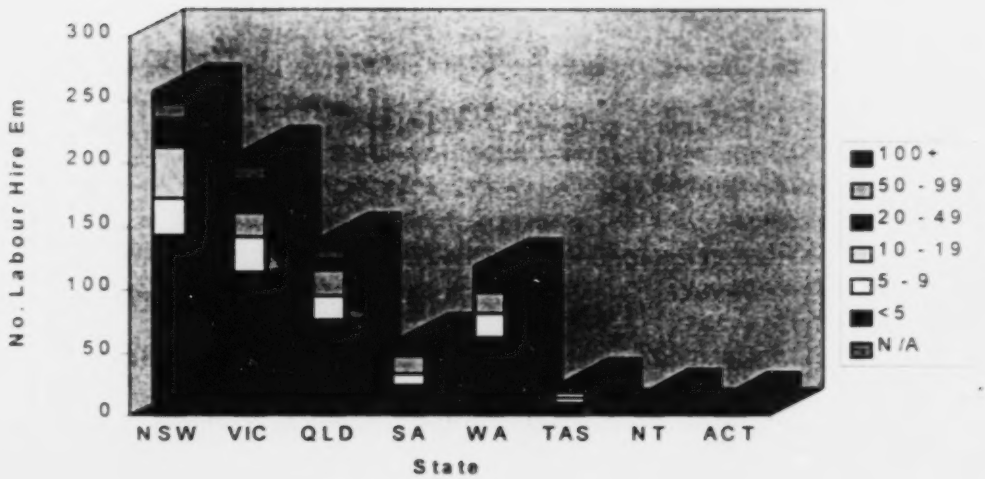


Figure 2.1: Labour hire employees by State

Data Source: Australian Bureau of Statistics 1997 (as at June 1996)

2.3.3 Industries and occupations served

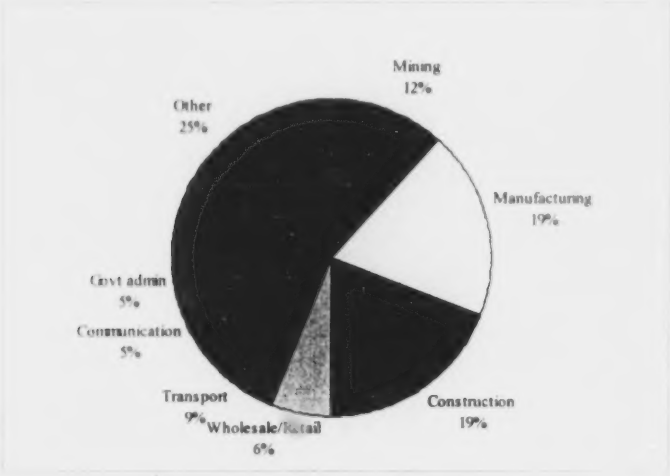
Labour hire firms appear to operate in all industries. Neither IBIS nor the ABS offer any industry segmentation in their available analysis indicating that the services are widespread across all industry types.

An examination of the Yellow Pages indicates that services may fall into several broad types:

- clerical/administrative workers;
- production workers;
- specialised skilled workers (eg. maintenance and other skilled trades);
- specialised professional workers (eg. accounting and engineering services).

Our own survey of labour hire firms, while restricted to firms apparently supplying specialised skilled (trade-based) workers, indicates that many firms offer all types of workers and across a broad array of industries.

Figure 2.2: Industries served by labour hire firms



Source: KPMG Labour Hire Survey, 1998

2.4 Our survey

Judging from our survey, we would conclude that labour hire firms:

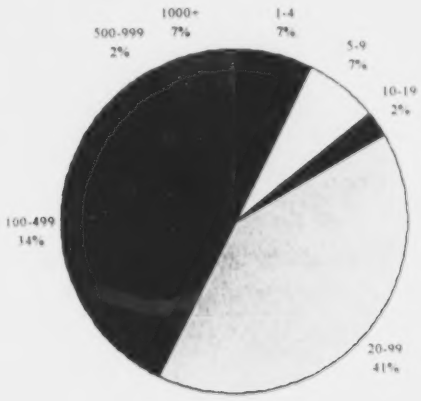
- serve small, medium to large clients and are themselves small, medium to large businesses;
- operate in all States and industries, but focus on main population and employment centres;
- have a younger rather than older workforce;
- primarily offer short-term replacement/supplementation services;
- rely on client relationships and repeat business;
- have skilled and experienced workforces drawn from the available skill pool in the labour force.

In the absence of any comprehensive information on labour hire arrangements in Australia we conducted a survey of labour hire firms. The sample was chosen randomly

from firms listed in the Yellow Pages under Contract Labour. Firms included in the random sampling were only those which appeared to provide specialised trade-based skills as part of their service offering. Therefore the following analysis provides some insights into a segment of the labour hire industry, not into the industry as a whole.

- Two hundred firms in Victoria, Queensland, New South Wales and Western Australia were surveyed. A total of 57 responses were received (29% of the sample). Of those 43 were useable responses, that is, they were currently involved in the provision of labour hire services.
- The sample offered a wide range in size of firm, from very small (less than five labour hire workers – 7%) to very large (more than 1000 labour hire workers). The largest clustering of firm sizes employed 20-99 workers (41%) and 100-499 workers (34%).

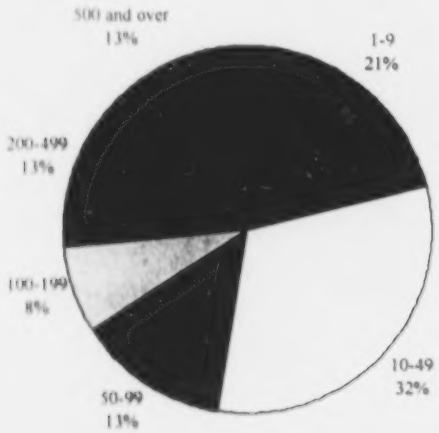
Figure 2.3: Number of labour hire workers on the payroll



Source: KPMG Labour Hire Survey, 1998

- Our sample may confirm the ABS data that indicates that the majority of firms are small, in that most labour hire firms in our sample employ between 20-99 people (41%) and serve 10 to 49 clients (32%) or 1 to 9 clients (21%). However, approximately one quarter of labour hire firms report that they have 200 or more clients.

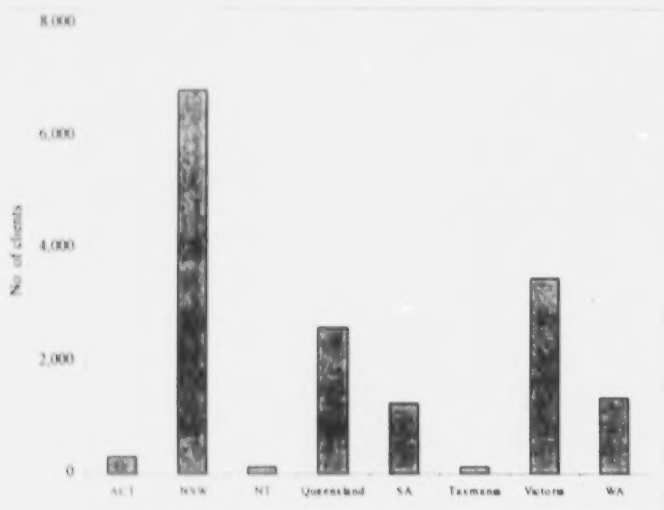
Figure 2.4: Labour hire firm by number of clients



Source: KPMG Labour Hire Survey, 1998

- Not surprisingly, labour hire firms based in the four states covered by the survey (Victoria, Queensland, New South Wales and Western Australia) reported the most number of clients in those same states. The most clients of labour hire firms are in NSW (6,800) and Victoria (3,500).

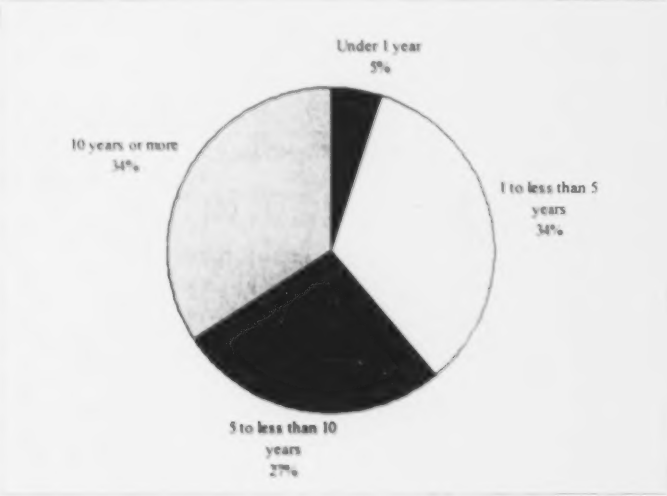
Figure 2.5: Total number of clients per State



Source: KPMG Labour Hire Survey, 1998

- The majority of the firms have been providing labour hire services in excess of five years (69%) and 34% have been operating in excess of 10 years.

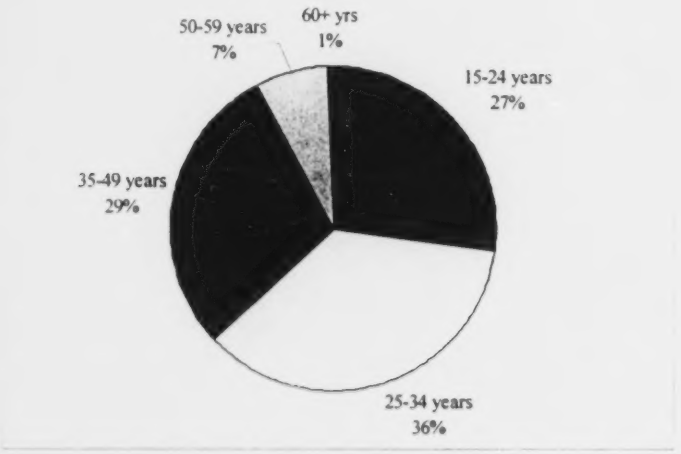
Figure 2.6: Length of time in operation



Source: KPMG Labour Hire Survey, 1998

- The firms generally offer both employment placement and labour hire services (77%), with only 23% of respondents focussed on labour hire alone.
- The respondents have a positive view of growth in the short to medium term, with 74% of the firms expecting the staffing to increase in the next 12 months, and 86% expecting an increase in the next 2-3 years.
- The firms in the survey employed a total of 3,200 staff. Of these the largest percentage are in the 25-34 years age group (36%). The average age of staff in the labour hire firms is 31.

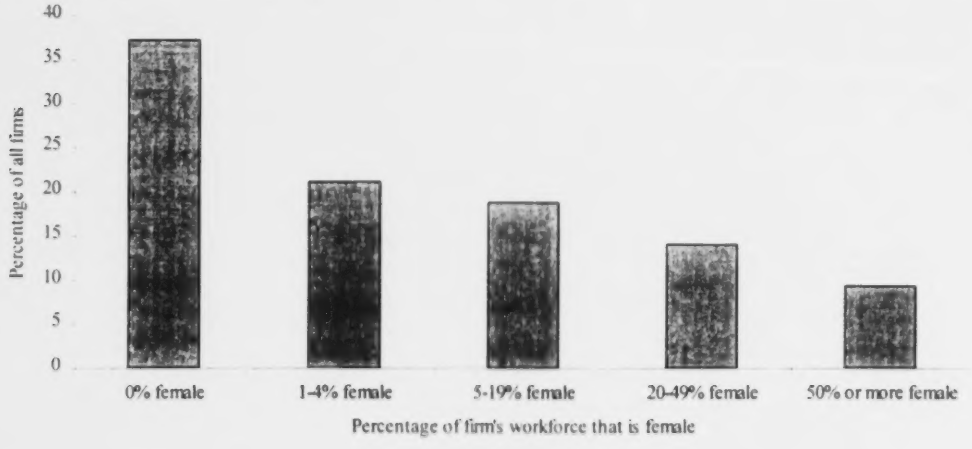
Figure 2.7: Age distribution of labour hire staff



Source: KPMG Labour Hire Survey, 1998

- The number of women employed by labour hire firms responding to the survey is low. Nearly 40% of labour hire firms employed no women, and less than 15% have a workforce made up of more than 50% women.

Figure 2.8: Gender distribution of labour hire staff



Source: KPMG Labour Hire Survey, 1998

Characteristics of clients

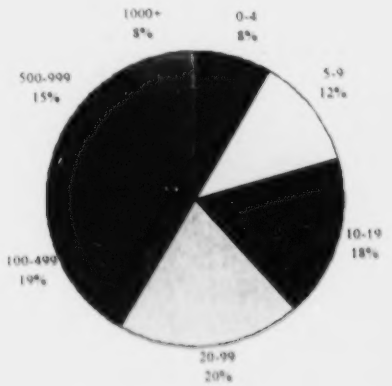
- The survey reveals that many of the firms provide services to clients in more than one State, and across the sample clients are located in all States and Territories.
- Clients are predominantly located in capital cities (51%) or regional centres (41%).
- With the exception of cultural and recreational services, all major industry groupings are represented in the client base, with the major clusters of client firms operating in manufacturing (19%), construction (19%), mining (12%) and transport and storage (9%).

Figure 2.9: Industries served by labour hire firms

Source: KPMG Labour Hire Survey, 1998

- In general, the firms serviced are medium to large in size (20+ employees), with 42% of the client firms having a workforce in excess of 100 employees.

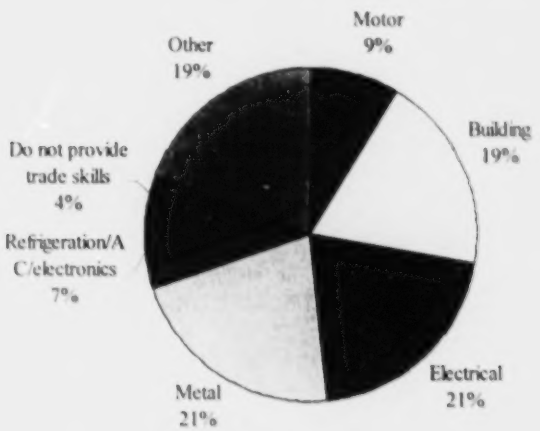
Figure 2.10: Size of firms served



Source: KPMG Labour Hire Survey, 1998

- Clients use the labour hire firms for a range of skilled tradespeople, with the largest groupings being the metal trades (21%), electrical trades (21%) and building trades (19%).

Figure 2.11: Trade skills used by labour hire clients



Source: KPMG Labour Hire Survey, 1998

- The majority of labour hire contracts are short term, with few being over three months. Most contracts are between 1-6 days (24%) or 1-3 weeks (49%).

Table 2.1: Length of contracts	
8%	< than 1 day
24%	1-6 days
49%	1-3 weeks
10%	1-3 months
4%	4-6 months
3%	7-12 months
2%	> than 1 year

Source: KPMG Labour Hire Survey, 1998

- The significant proportion of respondents reported that contracts have increased in length since they commenced business (48%), while 15% report they have decreased and 33% report that contract length has not changed.

- The main use of labour hire appears to be driven by fluctuations in demand or special projects. Outsourcing of whole functions does not appear to be a major reason for accessing labour hire, suggesting that client firms may not be reducing to core business through access to labour hire, or that outsourcing of functions may be managed in other ways.

Table 2.2: Main reasons for use of labour hire	
Meet peak demands	49%
Special projects	16%
Specialist skills	5%
Temporary staff	3%
Manage whole function	3%
Other	24%

Source: KPMG Labour Hire Survey, 1998

- The sample indicates that clients of labour hire firms are more likely to have an ongoing relationship with the labour hire firm than not, with only 2% of firms indicating fewer than half their clients were repeat customers. Over 80% of labour hire firms stated that three-quarters or more of their clients are repeat business, including 21% of firms claiming that all are repeat clients.

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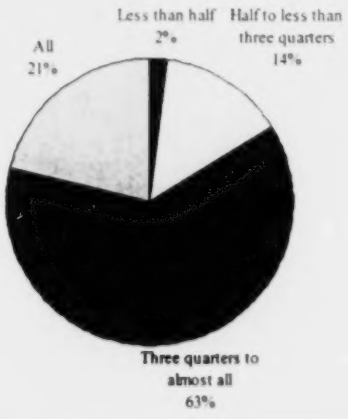
Figure 2.12: Proportion of clients that are repeat customers



Source: KPMG Labour Hire Survey, 1998

Recruitment and skilling of labour hire workers

- Labour hire firms employ a diversity of means to recruit new workers.

Table 2.3: Method of sourcing workers	
Word of mouth	31%
Own data base	27%
Newspaper advertising	26%
TAFE/other training institution	5%
Trade magazine advertisements	5%
Employment service	3%
Other	3%

Source: KPMG Labour Hire Survey, 1998

- In general, labour hire firms focus recruitment on previously qualified workers and with considerable prior work experience in the area they are recruited to operate in. However, a significant proportion (25%) hold qualifications at a level lower than year 12.

Table 2.4: Qualifications of current workers	
Level	***% of LH workforce***
Tertiary	4%
Trade	54%
Other post-school	8%
Year 12	9%
No year 12	25%

Source: KPMG Labour Hire Survey, 1998

Table 2.5: Length of relevant work experience	
Experience in current field of employment	***% of LH workforce***
No experience	1%
< 1 years experience	7%
1-5 years	38%
6-15 years	39%
16-30 years	14%
30 years or more	1%

Source: KPMG Labour Hire Survey, 1998

This, combined with the predominant age groupings of labour hire employees suggest that both choice through change of employment mode and industry firm restructuring are probably the two major reasons for workers entering labour hire arrangements.

- In recruiting labour hire employees, labour hire firms primarily rely on qualifications, and the length and relevance of experience.

Table 2.6: Main staff selection criteria: Rank order of importance to firms						
Selection criteria	Rank of 1	Rank of 2	Rank of 3	Rank of 4	Rank of 5	Rank of 6
Qualifications	15	6	3	3	1	3
Years of experience	4	10	6	6	4	0
Type of experience	7	10	11	1	3	0
References	3	1	6	11	7	2
Aptitude test results	0	1	2	3	3	11
Interview results	2	4	4	6	8	4
Other	3	0	0	0	0	0

Source: KPMG Labour Hire Survey, 1998

- Surprisingly, the firms report that they often have difficulty in recruiting appropriate workers (53%), and that ease or difficulty of recruitment has been the same for the past two years (69%). Only 5% report that it has become less difficult to recruit staff in the past two years.
- Seventy-one percent of labour hire firm respondents report that their workforce is unionised (14% do not know). Only 7% of the firms indicate that none of their workforce is a member of a union and 32% of the firms responding to these questions (28) indicate that all workers are a member of a union.
- Labour hire firms indicate a variety of employment arrangements, with different arrangements operating within the same firm.

Table 2.7: Employment arrangement in labour hire firms

Experience in current field of employment	*No. of firms*	*% of all responding firms*
Awards	29	69
Collective agreements	11	26
Individual contracts	12	29
Host/client agreements	3	7
Other	2	5

Note: Percentages add to greater than one hundred percent as some firms have more than one employment arrangement.
Source: KPMG Labour Hire Survey, 1998

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3. Apprentices, training and labour hire

3.1 Why we can expect that labour hire firms are unlikely to invest in apprenticeship training

In recent years there have been a number of studies examining the level and drivers of training in Australia. Conclusions from this research confirms much overseas evidence about why firms invest in training. In general, the research evidence indicates that firms are more likely to invest in training or provide training in the following circumstances:

- the firm expects to retain the services of the employee over an extended period of time;
- the majority of firm level training is informal;
- training probability correlates with age - for more formal training the probability of receiving in-house or external training was highest at ages 32 and 36.5. The probability of receiving on-the-job training declines continuously with age, but at a declining rate;
- full-time workers are much more likely to receive training;
- the higher the education levels of the work force the higher the levels of training. This implies that the desire and aptitude of workers, as well as cost effectiveness, may be more important than worker needs in decisions by firms and individuals;
- skilled tradespeople have a low ongoing involvement in training;
- training rises with the skill level inherent in the occupation, and seems also to reflect blue/white collar distinctions;
- male employees are more likely to receive training than females;
- larger firms provide more training;
- the public sector is more likely to train, and there are significant differences between industries in respect of in-house training;
- NESB workers are less likely to receive training, but the gap reduces as duration of residence increases, suggesting English language skills are a significant determinant in training for this group. (Baker and Wooden, 1992; Thorn, 1996)

In summary, employer support for training is generally highest among white collar occupations, rises with workplace size and hours worked, is less pronounced for casual employees, females and the public sector.[5]

The research into training decisions by firms allows us to predict that labour hire firms operating in the skilled trades market are unlikely to make significant commitments to formal training effort. The main reasons for this are:

- ease of sourcing skilled trades people from the labour market;
- impermanence of the majority of the employment contracts – dependent upon the availability of placement opportunities;
- general length of contracts (short) is unlikely to lead to user firms training the labour hire worker;
- high turnover of employees;
- large numbers of trade qualified workers - low participation in post-trade training by skilled trades workers.

Added to this, the barriers to investing in apprenticeship training experienced by many firms in increasing intensity over the past 15 years, including:

- cost to benefit considerations, especially during early years of the apprenticeship;
- volatile markets and shortening contract cycles causing an unwillingness to commit to lengthy contracts of training;

are experienced in a more extreme form by labour hire firms by the very nature of their business.

Both our survey and case studies confirm our prediction that labour hire firms will make limited investments in training, and are generally unlikely to commit to long term contracts implied in the traditional apprenticeship areas.

3.2 Training practices of labour hire firms: results of our survey

Our survey of labour hire firms reveals that labour hire firms make small investments in training and focus primarily on induction and other training related to regulatory

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[5] Baker and Wooden (1992). In considering the findings of their analysis of the results of the *How workers get their training survey* Baker and Wooden concluded that there is "a significant positive correlation between education and vocational training...implying...that if left to the private sector, the skill levels of the more educated will continue to rise while the less educated will remain little affected." (Baker and Wooden 1992: 44)

responsibilities such as occupational health and safety. Some of the results are unexpected and we suggest these results be treated with caution as the response rate on training questions was extremely low. Around half of the 43 responses did not provide reliable data for the training questions. With those caveats the following observations can be made.

- The majority of labour hire firms expect their workers to undertake some level of ongoing training.

Table 3.1: Expectation of employee training

Expect training participation by employees	No. of responses	%
Yes	23	55
No	19	45

Source: KPMG Labour Hire Survey, 1998

- The commitment or expectation of financing of training depends upon the training undertaken, with the labour hire firm more likely to fund induction and safety training than skills maintenance or extension. Labour hire firms appear to expect their employees to take private responsibility for skill development and maintenance.

Table 3.2: What training is provided by whom to labour hire workers

Type of training	Labour hire firm funds	Employee funds	Client firm funds	Other	No. of responses
Induction training	26%	2%	23%		22
Safety training	33%	5%	16%		23
Trade training	26%	43%	4%	Not undertaken- 22% Government funds – 4%	23
Qualification updates	29%	58%	-	Not undertaken – 13%	24
Post-trade	21%	58%	21%	Not undertaken – 17%	24

Source: KPMG Labour Hire Survey, 1998

- Labour hire firms indicate a wide range of expenditure on training, with 25% of the respondents reporting expenditure between 10-20% of payroll. However the

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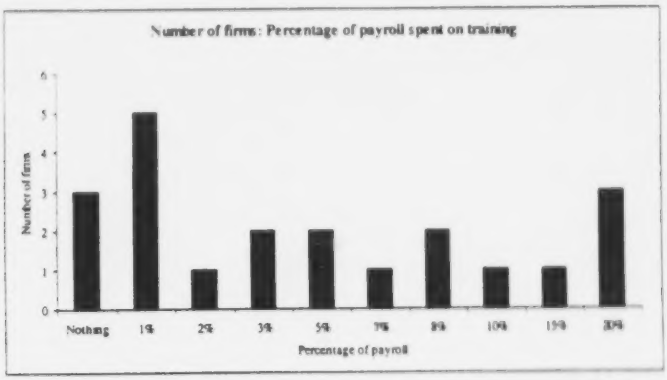
majority of respondents nominated a much lower figure, with as many indicating that nothing was spent on training as those that indicated 20%.

The low response rate to the questions about who pays for what type of training and the overall level of expenditure on training may indicate that firms are unaware of the level of investment in training by themselves, their employees and their clients.

Figure 3.1: Level of spending on training by labour hire firms as a % of payroll



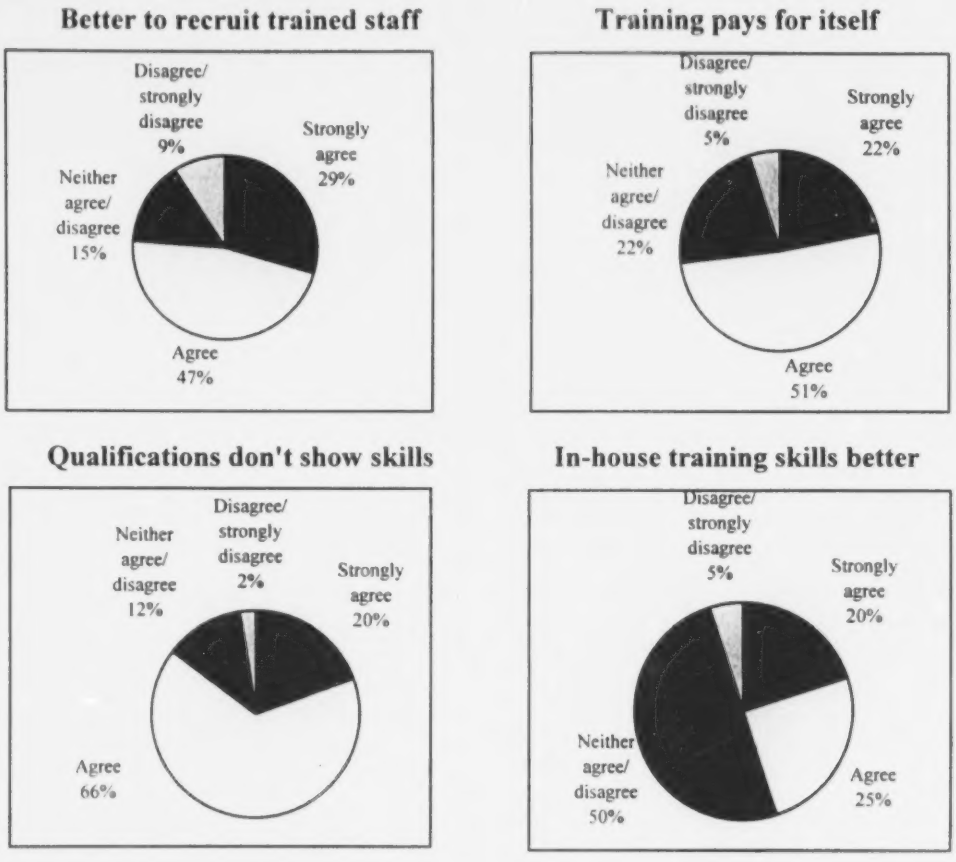
Source: KPMG Labour Hire Survey, 1998

- Respondents provided a mixed response when questioned about their attitude to training. The majority indicated that it was better to recruit skilled staff (75%), while a nearly equivalent number indicated they believe that training pays for itself (73%).

  These statements are not necessarily mutually exclusive. At the same time, the majority indicate that they do not believe that qualifications are a good predictor of skill (86% - this does appear to contradict the earlier nomination of qualifications as a major factor in recruitment).

  Respondents are more evenly distributed on the notion of whether in-house training is better than recruiting skilled staff. This is more consistent with the high positive response to the value in recruiting trained staff.

Figure 3.2 Attitude to training



Source: KPMG Labour Hire Survey, 1998

- Labour hire respondents indicate that current incentives to invest in training by the firms are balanced between current and future business concerns. Incentives provided by Government, for instance, appear to play a small part during the training investment.

Table 3.3: Why labour hire firms invest in training

Incentives for a labour hire firm to invest in training	% (No. of responses – 43)
Retain good employees	56%
Improve existing skills	47%
Plan for future skill requirements	35%
Commitment to training	26%
Government incentives	12%
Union encouragement	9%
Other	9%

Source: KPMG Labour Hire Survey, 1998

- Barriers to training are primarily related to cost, with return on investment, prohibitive cost and cost of down time being nominated by 40% of respondents. This is not a surprising response in an industry operating on small profit margins. (IBIS, 1997b)

- 14 of the 43 responding firms indicate they employ apprentices (33%). All apprentices are engaged in engineering or electrical related occupations. Six of the respondents plan to take on new apprentices during 1998. Their primary source of apprentice recruits are Group Training Companies (36%) or 'other' (46%) means.

  In general the labour hire firms report higher difficulty in recruiting apprentices compared to other staff. This accords with reports from other research that employers are finding the cohort of presenting apprentice applicants to be of declining quality (Marshman, 1996; 1998).

  Those labour hire firms that recruit apprentices do so across the four years of a contract of training, while those who indicated they might consider taking on apprentices were twice as likely to nominate 1st and 4th year as the preferred point of selection. When asked whether they would hire apprentices under their current arrangements the majority (74%) indicated that they would not or they did not know.

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3.3 The case studies

The case studies confirm that the primary reasons for use of labour hire emerging are:

- fluctuations in production demand (Company Solutions and APV);
- sourcing specialised skills (Adecco and Shoalhaven);
- difficulties in attracting suitably skilled labour to a region (Labour Hire Firm and ADI; Adecco and Shoalhaven Council); and
- cost control and outsourcing of non-core production functions (SILCAR and APM).

To gain a deeper understanding of labour hire involvement in apprenticeship arrangements we undertook eight case studies. These were based around four pairs of labour hire firms and client firms.

The case studies involved:

- The Wollongong regional office of Adecco, a large labour hire and employment placement firm based in New South Wales and the Shoalhaven Council. Adecco is an international firm with over 500,000 employees worldwide at any one time. Adecco has operated in Wollongong for 12 years and involves a labour hire workforce of between 200-300 at any given time. Shoalhaven Council access Adecco services for specialised professional and trades staff.
- Australian Paper, a subsidiary of AMCOR, producing paper products for the Australian domestic market from a manufacturing site located in Burnie. All maintenance functions at the paper manufacturing site in Burnie have been outsourced, and are now managed under contract by SILCAR, who have in turn outsourced the management of all their apprentices to North West Group Training, a not for profit organisation managing around 230 apprentices and trainees in the Burnie area. There have been significant changes to the way in which apprentice training is managed at the site since outsourcing, and a decline in the total number of apprentices employed.
- Australian Defence Industries Limited (ADI), a manufacturing company that has a number of operations throughout Australia producing equipment for the Australian Defence Force. This case study focuses on ADI operations at the Bendigo site, where the number of employees and apprentices has declined in

the last ten years. At this site the firm relies on labour hire arrangements to satisfy its fluctuating demand for trade skills, though this strategy is changing as the firm finds it increasingly difficult to recruit tradesmen, either through labour hire or permanent employment arrangements. In response to the perceived skills shortage ADI are taking on more apprentices, particularly in the boiler-making trade, rather than relying on other sources for skilled workers. One of the labour hire firms that provides contractors to ADI also has difficulty recruiting tradepersons, and confirms that there is a skills shortage for traditional trades in the Bendigo area at the present time.

- Company Solutions, a large labour hire firm based in Queensland and the Queensland operations of APV, a large international firm engaged in process engineering and component manufacture and distribution. Depending upon demand APV may increase their workforce size by up to 100% using labour hire workers sourced from Company Solutions.

Little ongoing formal training is provided by the labour hire firms to the majority of the labour hire workers. The exception to this is some skills maintenance provided to the "permanent" workers retained by Adecco, SILCAR and Company Solutions. In these cases these workers are employed in an ongoing relationship by the firms and represent core skills required to provide a competitive edge in the highly competitive labour hire industry:

- SILCAR's core competence and business focus is on the management of outsourced functions for its client firms. It ensures that its small core of managers/supervisors are highly skilled;
- Adecco focuses its skills development upon its permanent management, administrative and field staff in technology and customer service;
- Company Solutions has a small core of highly skilled staff and some staff with specialised expertise in OH&S, training and quality assurance which can be applied across industries.

In general, these labour hire firms rely upon sourcing skills from the labour force to service their contracts rather than developing them through formalised training. They indicate that skills maintenance is primarily achieved through placement and rotation of their labour hire workers through a wide variety of work places and experiences.

None of the labour hire firm cases currently employ apprentices. Company Solutions has employed apprentices in the past in order to maintain obligations under the Training Guarantee but has ceased to do so with the removal of this obligation. SILCAR retains apprentices through a formal arrangement with the local Group Training Company, and

Adecco has an informal referral relationship with a local Group Training Company if any of their clients seek apprentices.

Of the client firms, three continue to employ apprentices:

- Shoalhaven Council;
- ADI; and
- APV.

APV has reduced its apprentice numbers by 50%, and indicates that it will not be employing an apprentice next year (the first time for 30 years). While it may use labour hire to double its workforce during peaks in demand this does not translate into an increase in apprentice numbers. The specialised nature of its manufacturing means that the firm continues in-house skills development through a small number of apprenticeships, but the uncertain nature of production cycles and recent economic developments in the Asian region means that the company is less certain or able to commit to the full (generally) four year contract of employment required of an apprenticeship.

Shoalhaven employs its apprentices via Group Training and has maintained a consistent level of apprentices over the past few years. It generally retains individual apprentices contracted through the Group Training Company for the length of their contract. In effect, it appears to use the GTC to provide employment placement services – in particular the screening of a large number of applicants.

ADI had reduced apprentice intakes but has found that the specialised nature of its business means that it has not been able to source appropriately skilled labour and is recommencing internal skills development through an apprentice intake. In contrast to the other cases, ADI has concluded that unless it continues to develop inhouse skills through apprenticeships it will have an uncertain future in sourcing appropriately skilled labour. Labour hire arrangements have not, thus far, been able to satisfy skill requirements.

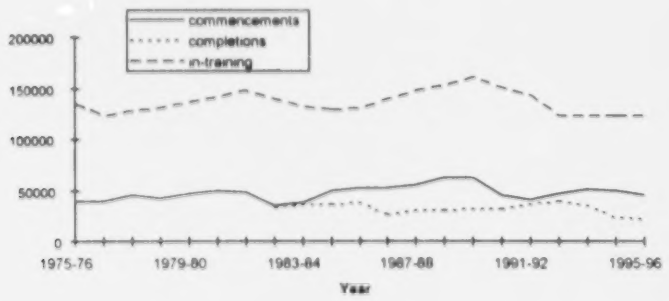
4. Putting apprenticeship employment into context

4.1 Long term decline in apprentice intakes

The genesis for the current study lies in the work undertaken by Bob Marshman & Associates (1996) for ANTA to provide qualitative information on the factors contributing to the decline in apprenticeship commencements in three areas of traditional apprenticeships. The three areas studied were the building, electrical and engineering trades. Between 30 June 1992 and 30 June 1996 the decline in apprentice intakes in each of these was 13%, 21% and 26% respectively. The study provided rich qualitative information to support the statistical trends and exposed a number of disturbing themes and trends which it was argued needed to be dealt with quickly and comprehensively if the long term trends are to be reversed.

This decline has a longer history. The changes in the apprentice labour market over the last 25 years have been profound. Any examination of apprenticeship statistics over this period shows the force of economic climate as a factor influencing the demand for apprenticeships, with increases/decreases in apprentice numbers following the fluctuations of the business cycle with associated impacts in industry restructuring, the growth in part-time and casual employment, sub contracting and specialisation, and privatisation and corporatisation by Governments.

Figure 4.1: Number of apprentices, Australia, 1975-1996



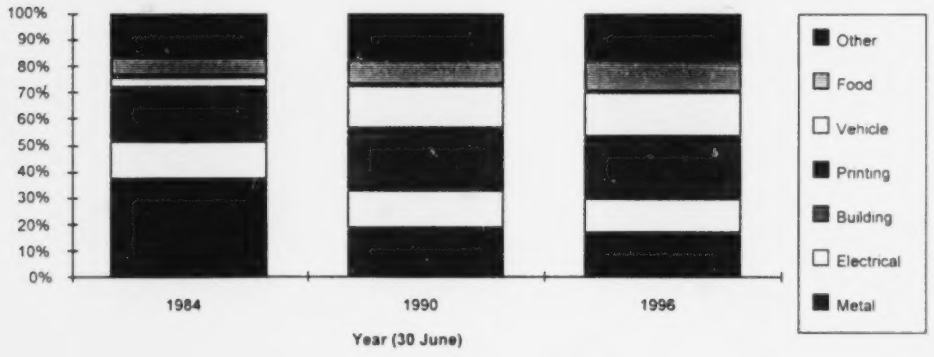
Source: NCVER, apprenticeship statistics.

As Figure 4.1 shows, the number of apprentices has remained relatively static over time although there have been cyclical peaks and troughs. At the same time, the size of the Australian workforce has expanded considerably (an increase of 24% between 1980 and 1996). Because of the growth of the work force in general, apprentices have declined as

a proportion of the work force, even though the actual number in training in 1996 was approximately the same as in 1970.

This underplays the major deterioration in the level of structured training and work opportunities during this period, likely to have been driven in part by restructuring in the manufacturing sector, which has been a significant provider of structured training opportunities. The metals and engineering sector, which has been the largest employer of young people after the retail industry, particularly through apprenticeship opportunities, has shown the largest decline in apprenticeship places as is depicted in Figure 4.2 below. As this demonstrates, the decline in the proportion of apprentices employed in the metals and engineering industry has been significant, and provides a crucial part of the explanation as to why there has been no real growth in apprentice numbers over the period 1970-1996.

Figure 4.2: Apprentices in training by field, Australia, 1984-1996

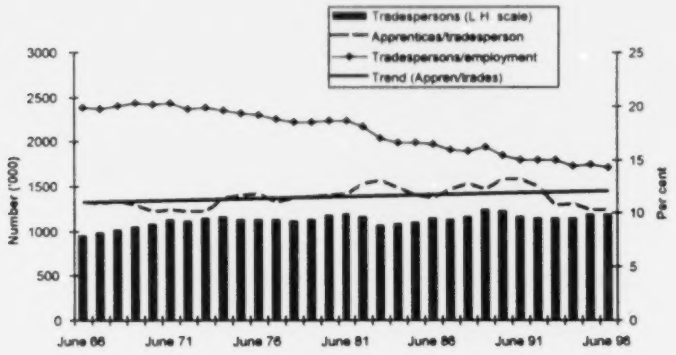


Source: NCVER, apprenticeship statistics.

Between 1980 and 1996, the number of employed persons increased by 24% while the number of apprentices in training decreased by 16%. Moreover, the apprentice to workforce ratio has shifted from the pre 1990s recession figure of about 2.2% to about 1.6% since 1993. This finding suggests that the historical nexus between growth in workforce levels and growth in apprenticeship numbers has been broken for a range of reasons that are only beginning to be researched and understood (OTFE, 1998).

The level of apprenticeship numbers has also been constrained by the level of qualified trades persons in the work force, due to conditions which have restricted the ratio of apprentices to a qualified trades person. As with apprenticeships, the proportion of qualified trades persons in the total work force has declined over the past years. As this proportion declines, we can observe an upward trend in the ratio of apprentices to trades persons.

Figure 4.3 Trades persons, apprentices per trades person and trades persons per employed person, Australia, 1966 to 1996



Note: Trades persons data up to 1985 based on selecting relevant occupations from CCLO classification.
Trend line created using OLS regression.
Sources: NCVER, apprenticeship statistics.
ABS, Labour Force, Australia (6203.0), unpublished data

4.2 Drivers in the growth in labour hire

International research into labour hire arrangements shows that this is a wide spread means of supplementing traditional work forces, and its growth is linked to changes in economic structures, work organisation, technology and labour markets (ILO, 1997). Analysis of the industry in Australia indicates that drivers for growth in labour hire is linked to "the general economic situation, and particularly its effect on the rate of growth of employment, as well as changing state and federal government industrial relations and employment legislation, in the area of deregulation of the labour market, enterprise bargaining, workplace agreements, award restructuring and/or abolition. The industry is also affected by the trend "towards companies outsourcing activities such as maintenance and in the process seeking more efficient and less costly methods of undertaking this activity but to specified quality standards." (IBIS, 1997b)

There is no doubt that there has been significant growth in the labour hire industry generally. It provides a mechanism for companies to deal with cyclical and seasonal demands, or in some cases to outsource entire workforces. The available evidence also indicates that labour hire companies undertake little or no training, although our case studies suggest that it is possible to raise interest and increase awareness in that its future also depends on a supply of skilled labour. Companies may be prepared to participate in initiatives provided resultant costs are shared across the labour hire industry or all employers as a whole.

Industry restructuring, including the corporatisation and privatisation of government functions, and increased exposure to competition have impacted on the capacity of individual firms to employ trades people and apprentices. Importantly, the nature and extent of the restructuring and its impact on the labour market varies significantly across industries and a detailed understanding of the differential impacts is a prerequisite to an effective policy response including the nature of any Government intervention. This can be seen in our observation on the differential decline in apprentice registrations in the previous section.

In the case of the building and construction industry the growth of sub-contracting and specialisation has led to a situation where 70 to 80% of the product of the industry is delivered by sub-contractors. In the engineering and electrical industries the outsourcing of functions like maintenance and the propensity of medium and larger firms to only train for known and predictable requirements has led to an increased reliance on labour hire. These industries are important to study because they account for more than 70% of the national apprenticeship training effort.

The broader forces leading the use of labour hire are demonstrated by the business drivers in the case studies undertaken for this assignment. In particular, the case study of APV, an international engineering group involved in process engineering and component manufacture and distribution is illustrative. Stainless steel fabrication is undertaken at a plant in Brisbane where APV has a permanent core manufacturing workforce of thirty people twenty of whom are trades people and ten are apprentices employed directly by the company. Ten to twelve years ago the permanent workforce comprised about sixty people, made up of forty trades people and twenty apprentices. Increasing pressure to be internationally competitive led to a reduction in the permanent workforce to that required to maintain the specialist skills required in the manufacture of stainless steel products – the core workforce. APV supplements its core permanent workforce with up to thirty skilled personnel employed by the labour hire company, Company Solutions to cater for surges in demand.

This case illustrates the impact of restructuring and unpredictable and shorter contract cycles. This has introduced increased uncertainty about the future, which not only mitigates against the employment of labour on a permanent basis, but also makes employers reluctant to enter into the three to five year contracts of employment and training involved in the employment of apprentices. Apart from not having the capacity to carry apprentices between contracts, many are also keen to avoid having to put them off in these circumstances. APV will not be taking on an apprentice in 1998 (the first time in 30 years) due to uncertainty about the current economic cycle.

As part of his work for the Engineering Skills Training Board, Marshman (1998) interviewed more than 100 employers and concluded that while the reduction in apprentice intakes is linked to a deterioration in production and manufacturing, there is no single reason for the decline in apprenticeship intakes. It is the result of an accumulation of factors over a number of years all of which are acting negatively on the employment decisions of employers. The problem is not confined to Victoria.

The reasons for the decline suggested by employers include:

- widespread pessimism about the future of manufacturing industry except where companies are producing specialist products, operating in niche markets or are monopoly suppliers;
- universal agreement that the image of the industry is dreadful, despite widespread agreement that there is potential for growth, depending on the sector of the industry, and that there are good career paths and financial rewards;
- lack of, and quality of, vocational preparation in schools;
- outsourcing of functions like maintenance which has given rise to shorter and less predictable contract cycles, and resulted in an inevitable reluctance to train;
- significant growth in the use of labour hire for such things as surges in demand and routine maintenance;
- confusion about the future of the training system.

Marshman (1998) also concluded that while industry restructuring, outsourcing and labour hire appear to have contributed to the reduction in apprentice intakes they are not the only reasons. The issue is far more complex.

It would be wrong, however, to assume that initiatives to involve labour hire companies will of themselves reverse the trend. There are a complex array of inter-related factors

which must be dealt with in an integrated way and have regard to the apprentice labour market in each industry. There are marked differences between industries and the importance of this cannot be overstated.

The challenge is to find ways to involve the labour hire industry in the training of skilled labour, and not to deride the part that they increasingly play in the contemporary Australian labour market.

4.3 Group Training and labour hire

Two forms of labour hire have grown considerably as a result of restructuring:

- labour hire firms; and
- Group Training.

The reduction in the length of and the unpredictability of contract cycles has led to an outsourcing or transfer of the apprentice training effort, and this may account for much of the growth of Group Training companies in recent years. Group training is one mechanism that enables individual employers to train apprentices regardless of future workloads and contract cycles. In its turn, it is a specialised form of labour hire.

Group training schemes were established in the early 1980s to enable apprentices to be employed centrally and rotated among small employers to provide a diversity of on the job training experiences. They were at the margin of the apprentice labour market. They have now graduated to become major players in that market, and their growth in recent years is illustrative of that changed role.

In 1991 Group Training Companies employed 6.8% of the apprentices employed nationally. In 1997 they employed 13.5%. In the case of the building and construction industry, Group Training Companies account for more than 30% of the national training effort, illustrating again the major industry differences which appears to be associated with the growth of sub-contracting and specialisation in particular industries (KPMG, 1997).

In a more recent study for the Victorian Engineering Skills Training Board into the reasons for the significant fall in apprenticeships in manufacturing and engineering related trades in recent years Bob Marshman & Associates (1998) found that while group training is crucial to the future maintenance of intakes it is not seen as the answer in all cases. Marshman found that many employers in specialist areas who use specialist equipment are still keen to train their own to ensure a close affinity with the enterprise and ownership of the product. This is born out by our case study at ADI which has decided to decrease its reliance on labour hire arrangements due to the firm's belief that the specialised skills required for their product are best developed internally. Two of the case studies demonstrate the reverse, where group training is being used to manage apprenticeship training for large enterprises as a deliberate human resource practice.

4.4 Summary

It is important to stress that the growth in labour hire is a consequence of industry restructuring and increased exposure to competitive pressures. As a result any reduction in the apprenticeship training effort is linked to that restructuring and not merely to the emergence of labour hire as a significant employer of labour. Labour hire will not go away for as long as the economic conditions that have led to its growth in the last decade prevail and we see no evidence of their abatement. The contrary is probably more likely to be true.

Labour hire arrangements have emerged as a result of industry restructuring and changing decisions by firms about the size and make up of their workforce. They meet a demand created by host firm choices.

These same employer choices have also impacted on the growth in apprentice intakes in Australia. Over the past 25 years there has been a gradual and seemingly irreversible decline in the number of apprentices employed in traditional trade areas – both as a proportion of the work force and as a whole. This can be explained by:

- the declining number of skilled trades persons as a proportion of the labour force (also affecting the capacity for firms to provide appropriate supervision arrangements for apprentices);
- the outsourcing of many functions previously undertaken by skilled tradespeople;
- changing mix of skills in the workforce, including upskilling of production workers;
- apparent decline in the number of suitable recruits presenting for apprenticeships;
- corporatisation, privatisation and downsizing of the public sector which has traditionally been a significant employer of apprentices.

Down sizing and outsourcing means that there has been an increase in the number of skilled workers available to labour hire firms. Firms are apparently choosing to meet an increasing proportion of skill requirements by accessing ready skilled workers through labour hire rather than recruiting and skilling in-house.

Discussions with our case studies indicated that, with the exception of ADI, there is currently little difficulty in accessing skilled labour. Most of the interviewees had not thought about longer term skill shortages, although our discussions have now increased their awareness of this possibility. This lack of concern for future skill requirements is not a feature of labour hire firms alone.

Labour hire has not caused the decline in apprenticeships although it may have contributed to the deferral of consideration of longer term skills requirements. While labour hire firms are able to access skilled workers they are unlikely to consider taking on apprentices unless their clients require them or other incentives are put in place. While firms operate in volatile market conditions and are able to access skilled labour through labour hire they are less likely to take on the perceived burden and cost of an apprentice, unless operating under an historical attachment to doing so, or involving specialised skill requirements necessitating in-house skills formation.

This equilibrium of a self-sustaining circle of dependence is understandable in an environment where, in general, there appears to be sufficient existing skills. However, unless the nature of much of employment and work arrangements in the manufacturing, building, metals and engineering industries changes in the medium term this equilibrium may become a vicious circle of skill shortage.

In the current labour hire industry environment of:

- an apparently abundant supply of skilled labour;
- high levels of competition, with few barriers to competition;
- low margins and fee based competition;
- high correlation in activity with the volatility and changes in the overall rate of economic growth; (IBIS, 1997b);

it is unlikely that labour hire firms will feel any requirement to foster apprenticeships unless clients demand it or other incentives are found.

5. Options for action

From our survey and case studies we can draw some initial conclusions about the impact of labour hire on apprenticeship recruitment:

- it is unlikely that labour hire itself is replacing apprenticeship recruitment. The majority of clients are still using labour hire for short term contracts. However, this trend of reduction to a core work force and short term recourse to labour hire of additional staff by the clients of labour hire firms is not conducive to the longer term commitment associated with the employment of apprentices in traditional trades;
- labour hire firms are unlikely to take on apprentices unless there is client demand for this type of worker or they see that the labour market is unlikely to supply them with the skilled workers they require. This is not the case at the present time;
- long term contracts of training are unlikely to match the nature of a labour hire business, and these firms (as with other businesses) are likely to require consciousness raising and/or incentives to take on apprentices in the current climate;
- it is clear that successful labour hire firms rely on long standing relations with clients that might support rotation of apprentices, provided client firms are prepared to accept apprentice placements;
- labour hire firms appear to have a limited "formal training culture" – in general they place a higher value on on-the-job development. This may work for and against their involvement in apprentice training. At the least, it implies that rigid training arrangements with extended periods of off-the-job training are unlikely to suit the players in this industry;
- now may be an opportune time for intervention. Despite labour hire firms generally regarding future skills requirements as "someone else's problem" some skill shortages are apparently emerging.

Our research into the labour hire phenomenon and apprenticeships leads us to believe that:

- a collective approach is required to effect significant change – it is unlikely that individual or small scale interventions will lead to significant changes in the short term. Labour hire firms are responding to their client demands and focussing attention on the labour hire firms alone will not significantly impact on the decline in apprenticeship opportunities;
- consideration of the nature and reform of formal training arrangements needs to explicitly recognise that labour hire arrangements may in time cover a significant proportion of the workforce (a number of our consultations indicated a view that a proportion as high as 1/3 of the workforce).

We believe that a number of actions may be undertaken. These include:

- Research
  - pooling existing research knowledge about labour hire arrangements to underpin any short to medium term actions;
  - further research into industry sector specific characteristics in the incidence of labour hire arrangements as the basis of specific training strategy development.
- Awareness
  - working with employer associations to access labour hire firms;
  - working with the labour hire industry to identify barriers and opportunities for training;
  - consciousness raising of the labour hire industry and their clients about skill formation and potential skill shortages.
- Training interventions
  - sponsoring and promoting demonstration projects;
  - facilitating use of Group Training arrangements by labour hire firms;
  - tailoring of apprentice training arrangements for non-permanent working arrangements and multiple placements.

Should these interventions have little impact, and the decline in apprenticeship take-up is considered to pose a crisis for the skill base of a number of industry sectors, then more radical interventions may be warranted which could include either favourable taxation incentives for labour hire firms and their clients who provide apprentice training opportunities or industry levies to deal with the free-rider problem and target

the solution. However, these are options that require considerably more analysis than is within the framework of this assignment.

5.1 Research

As we have observed, there is little formal information available on the labour hire industry in Australia. Without improving knowledge about how the industry operates, it will be difficult to design effective solutions to engage labour hire firms in apprentice training arrangements.

5.1.1 Understanding the characteristics of labour hire in different industry sectors

Our research indicates that labour hire arrangements are likely to differ between industry sectors. This varies from the building industry where sub-contracting and other quasi-labour hire arrangements have been the norm for a long time to the growing incidence of labour hire in maintenance and other functional areas of the manufacturing sector.

In addition to this, labour hire incidence may also have some regional characteristics, likely to be related to the availability of a mobile skills pool from which to draw labour hire employees.

A deeper understanding of how labour hire may be mobilised to assist with skills formation through apprenticeships requires a fuller examination of the characteristics of labour hire in different industry sectors and in different regional areas. From this research, tailored strategies to match those industries or regions and mobilise common interest may be devised. In the first instance, a restricted number of small scale research projects could be commissioned and completed in a relatively short time frame. These would:

- focus on a particular industry sector, occupational area or region;
- map the incidence of labour hire in that sector/region by size and types of services;
- identify who is using it and where it is growing;
- identify the skills or occupations that labour hire is being used to supplement or replace; and
- isolate the extent to which traditional apprenticeship arrangements may be an impediment to firms operating in these industries.

The results of more targeted research into the labour hire industry will help to design more effective interventions to involve labour hire firms more actively in apprentice training.

5.1.2 Pooling existing research

While we found that little is known about the labour hire industry, we have become aware that a number of research projects are underway, or post-graduate research students are beginning to examine the labour hire industry. There would be value in ANTA sponsoring a small scale research seminar to gather together the research community interested in the labour hire industry to:

- share results and knowledge;
- identify gaps in current research endeavours; and
- commence the application of research knowledge to policy and strategy making.

The seminar could be designed to brainstorm some practical strategies for engagement of labour hire firms and their clients in long-term skill formation through apprenticeship arrangements.

Participants in the seminar could be identified by contacting universities with departments specialising in management, industrial relations and work place practices. Participants would be invited on the understanding that their input is both to pool knowledge and assist in addressing the particular problem of the survival of traditional apprenticeship arrangements in the expanding use of contingent workforce arrangements by firms.

5.2 Awareness

We were struck in our discussions with the case study participants about the limited extent to which labour hire firms or their clients may be looking to the future. By and large, our case studies confirmed the results of our survey that there is a dependence upon a ready pool of skilled labour to support labour hire. The exception to this is the case study which faced a regional labour market with a restricted skill pool and was engaged in the manufacture of a specialised product. On the other hand, our discussions with labour hire firms obviously triggered thinking or interest in longer term skill formation needs. On their own, individual labour hire firms or their clients are likely to feel overwhelmed by the enormity of the potential problem and put it aside. However, it is possible that awareness raising and collective action may reduce the feeling of impotence or isolation in approaching the perceived problem.

5.2.1 Skill formation and skill shortages

Firms in the labour hire industry depend on a number of factors for their success, one of which is access to a pool of appropriately skilled labour. Our survey indicates that many labour hire firms do have an apparent problem in accessing this critical resource at the current time and that they do not necessarily expect this to change in the short term,

despite high unemployment. If this is the case in the long term then the labour hire firms may be open to a "make" (train themselves) strategy/awareness campaign compared to current strategies of "buy" (recruit or poach from the existing skill pool). In addition, as the majority of their employees hold trade qualifications, unless they know that the nature of the skills they provide is likely to change radically in the medium to longer term, this difficulty in accessing trade-skilled labour is likely to become more acute.

ANTA, in conjunction with the Department of Employment, Education, Training and Youth Affairs (DEETYA), should undertake work to identify the likelihood of skills shortages emerging in the traditional trades areas over the next 5-10 years. The work should be of sufficient detail to highlight specific trades, skills or occupations most likely to be affected. This information can then form the basis of simple messages to be delivered to employer associations and labour hire firms about the viability of operating in a constricting skills market. These messages should focus on scenarios that show the danger of a diminished skills base for industry as a whole and on the potential business consequences for labour hire firms in particular. For while a constricting skills pool may place a premium on those labour hire employees possessing high demand skills, it is also possible that client firms will get to a point where it is more cost effective for them to recruit and train their own staff with consequent impact on the labour hire business.

Evidence derived from the research into emerging and potential skills shortages may be an important element of other efforts to raise awareness at an industry level and within individual labour hire firms and their clients.

5.2.2 Working with industry and employee associations

One of the most obvious routes into labour hire firms is through the employer, employee and industry associations. As many of the large players operate nationally or across a number of States or Territories, there is advantage in ANTA taking the lead with the national employer, employee and industry bodies. However, given that the majority of labour hire firms are small and will operate in a restricted area, ANTA may also work with the relevant State/Territory Training Authorities to approach these associations at the local level.

Formal approaches to relevant employer, employee and industry associations to commence discussions about the engagement of labour hire firms in support of apprenticeship training are required - this is not a problem of the training industry alone. Some employer associations, such as the MTIA (now the Australian Industry Group), have special sections based on labour hire members which are a direct conduit into the industry. In the first instance, these discussions will be to:

- identify the perceived problem of declining apprentice intakes in traditional fields;
- identify ways in which the employer associations may assist in raising consciousness amongst their membership of the importance of maintaining the skills base of different industry sectors; and
- work together to design specific strategies for intervention to raise the incidence of apprenticeship employment in labour hire firms (beyond the Group Training arrangements).

Employer and industry associations can provide ANTA and State/Territory Training Authorities with a forum in which to meet with labour hire firms and their clients to discuss what may be the barriers to apprenticeship employment, and also to showcase the apparent flexibilities offered by New Apprenticeships. It is likely that labour hire firms, along with many other employers, are unaware of, or confused by, current reforms to apprenticeship arrangements. Provision of practical information based on real examples of where New Apprenticeships are contributing to enterprise flexibility need to be the cornerstone of the discussions.

ANTA needs to work with the different employer associations to devise a method of getting information out to the labour hire industry and their clients on:

- importance of skill formation in long-term industry viability;
- potential areas of skill shortage that may be exacerbated if current decline in apprenticeship numbers continues and the timeframe in which it is likely to take effect;
- ways in which more flexible training arrangements made possible under New Apprenticeships may benefit labour hire firms and their clients; and
- options for cooperative arrangements with other organisations such as Group Training companies or training providers as a source of skilled labour-in-preparation.

In addition to information provision or awareness raising, ANTA can work with employer bodies in highlighting labour hire firms which are successful in integrating apprenticeship training into their arrangements with client firms, or sponsoring demonstration projects. These are discussed further in section 5.3.

As noted earlier, while a national approach at awareness raising is important, a more local approach will also be necessary to ensure a wider range of labour hire operators are accessed. State Training Authorities and State-based employer and employee associations are an important vehicle for achieving this, as the impact of local training

arrangements and inducements may be a better trigger for action than solely national approaches.

In the first instance, ANTA should partner with a selected number of States (STAs and employer associations) to devise local and practical solutions to engaging labour hire firms and their clients in apprentice employment and training. Agreement to:

- local awareness raising strategies;
- identification of existing incentives available for labour hire firms and their clients;
- use of New Apprenticeship Centres to target the labour hire industry and their clients for apprentice recruitment;
- potential arrangements with local Group Training Companies; and
- identification and promotion of good practices that can be replicated more broadly through better understanding of apprentice employment and training arrangements;

need to be discussed with the relevant parties and explicit action plans formulated. Following on from the approach trialed in one or two States, this could be extended to all States and Territories if concrete actions and successes are achieved. In the meantime, all State and Territory Training Authorities could be encouraged to take up the issue at their local level.

5.3 Training interventions

Research and awareness raising need to be accompanied by specific attention to existing training arrangements and opportunities. Merely exhorting the labour hire industry to become more involved in training of apprentices is unlikely to have a short-term impact unless concrete examples of what might be achieved or opportunities to be exploited are available.

5.3.1 Demonstration projects

Two forms of demonstration projects exist:

- promotion of existing good practices by labour hire firms and their clients in apprentice training; and
- establishment of specific projects to trial joint training of apprentices by labour hire firms and their clients.

Working with relevant industry/employer associations, ANTA should identify labour hire firms and their clients which have individually or jointly established arrangements

for the employment and training of apprentices as part of the services offered and as a mechanism for ensuring the supply of relevant and up-to-date skilled labour. If such examples exist, they can be examined to understand:

- why they have been put in place?;
- what are their features?;
- what arrangements for training and placement of apprentices have been developed?;
- whether these arrangements surmount common barriers to apprenticeships likely to operate more broadly in the labour hire industry?; and
- whether the arrangements are replicable across labour hire firms and their clients?

The good practice firms thus provide a promotional element (the "business case" for more labour hire firms becoming employers and trainers of apprentices) and a practical demonstration of how this might be achieved.

However, the good practice examples will need to be supplemented by some "experiments" with labour hire firms and their clients which currently do not employ apprentices. These experiments will seek to understand ways in which the greater majority of uncommitted labour hire firms may be encouraged.

Funds should be made available to support projects to encourage labour hire firms and their clients to involve themselves in apprenticeships. It would be desirable that any participating labour hire firm match, or make some contribution towards, the funding made available through ANTA. The approach may include:

- seeking submissions from relevant organisations (including labour hire firms, STAs, employer organisations, Group Training Companies) to undertake projects aimed at introducing or extending apprenticeship employment in labour hire firms. Alternatively, ANTA and/or STAs could work directly with employer bodies to identify target labour hire firms;
- projects would focus on strategies that lead to actual employment of additional apprentices. Funding would be contingent on the number of apprentices employed;
- projects could include:
  - support in supervising apprentices;
  - accelerated skill development to make placement a more attractive business proposition;

- encourage more flexible integration of on and off-the-job training arrangements;

- funding would be for start-up purposes. Any submission would be required to demonstrate how the project would be continued past the start-up funding; and

- funding recipients would be required to share the results of their experiments to enable wider replication.

A cautious approach to funding experimental approaches is required to ensure that the programs funded actually result in additional apprentice recruitment and that this does not become dependent upon a separate stream of funding in the long term. The special projects funding should be seen as being available for a finite period, should not be available to any single project beyond a start-up phase except in exceptional circumstances and is focused on both processes and outputs – that is:

- practical solutions to breaking down barriers to apprentice recruitment by labour hire firms and their clients; and

- actual apprentice employment.

5.3.2 Group Training

In essence Group Training is a specialised form of labour hire. A number of the labour hire firms we met with already work with or are interested in providing group training facilities. ANTA, through the Joint Policy arrangements with States and Territories, and with DEETYA through its additional Group Training funding, should seek to encourage Group Training Companies to work more actively with labour hire firms. Several options for action present themselves:

- encouragement of a range of formalised relationships between labour hire firms and Group Training Companies:
  - encouraging Group Training Companies to target labour hire firms for apprentice placements;
  - Group Training Companies to negotiate with labour hire firms to provide "opportunity spotting" function for a Group Training Company with labour hire clients who may be interested in supporting apprentice placements, which the labour hire firm cannot meet. This is a co-operative arrangement which is based on business referral;
  - formal alliances where the labour hire firm and Group Training Company provide a co-operative and integrated service to clients;
- allowing labour hire firms to operate a Group Training arm, and providing similar incentives as are currently available to Group Training Companies.

5.3.3 Apprentice training arrangements

Despite considerable reforms in apprenticeship training the dominant paradigm is of an apprentice placed with a single employer for the term of a contract of training.

If labour hire and other labour contracting arrangements are a permanent feature of working options, as all concerned in this study believe they are, then redesign of the existing paradigm is required. This is unlikely to be as simple as a transfer of off-the-job training to on-the-job training. Consideration of the actual supports required and learning opportunities/barriers presented by short term placement with multiple employers warrants serious consideration.

It is possible that there are features of training arrangements in traditional apprenticeship areas which are barriers to the nature of the labour hire business. This may include:

- the length of the employment and training contract;
- the less than perfect integration of on and off-the-job training;
- high dependence upon off-the-job training;
- inflexible sequencing of training; and
- limited up-front or accelerated training arrangements.

It is arguable that circumvention of these lies behind the success of Group Training.

New Apprenticeships have been developed to provide maximum flexibility to employers to increase the attractiveness of the business investment in apprenticeship employment. The extent to which the flexibility implied in New Apprenticeship arrangements is specifically targeted at firms who offer short-term and rotating placements of employees is unclear. Group Training Companies which have noted a shortening of the placement cycle for apprentices have developed strategies for dealing with this, although these principally appear to lie in their redressing poor on-the-job training environments with alternate off-the-job enhanced training.

Examination of the New Apprenticeship employment and training flexibility and opportunities should be undertaken with a view to specifically highlighting how these may be adapted to the benefit of employing labour hire firms, client firms and the New Apprentices, which operate in short term, individual or sequential/cyclical placements and work contracts.

5.4 Incentives, industry levies and taxation

The decline in apprenticeships is not the fault of the labour hire industry. In an immediate business sense it is unlikely that labour hire firms will automatically see a business advantage in taking on apprentices. It is not rational to expect a small number

of firms to assume the burden of training for a whole industry - both theirs and that of the clients they serve. The existence of a significant "free rider" impediment to training commitment may provide a case for some level of industry-wide responsibility for development of the skills pool. This could take the form of:

- provision of differentiated initiatives to labour hire firms, which may be worth considering. A higher incentive payment could help offset salary costs and enable placement of apprentices with client firms;
- targeting labour hire firms which manage longer term contracts where whole functions have been outsourced, and working up an appropriately structured incentive package to encourage some proportion of apprentices as part of the longer term labour supply contract.
- an industry-wide levy that is redistributed as incentives to those firms that do take in apprentices; or
- taxation options – bounties, similar to film investment taxation incentives; deductions or reimbursements as a proportion of salary costs; taxation credits for each year of employment of each apprentice.

These are blunt options and previous attempts to use them to encourage training investment in the past have had mixed results. However, they remain options that warrant some further examination. It may be that targeted actions here can build upon and improve previous attempts. Detailed modelling of impact and cost benefit analysis are required before these can be seriously considered. This is outside the scope of this assignment.

5.5 Immediate approach

Each of the areas of action outlined in sections 5.1-5.3 need to be undertaken as a coordinated approach. The combination of research, awareness raising and practical interventions that demonstrate what may be achieved are all required to change attitudes to apprentice employment and training in labour hire firms and their clients.

Of the areas of short term action, we believe focussing on the options for Group Training arrangements offer the best immediate return in terms of numbers of apprentices employed as they provide:

- an existing "infrastructure", funding and policy base to build from;
- synergy/complementarity in business arrangements with labour hire firms;
- higher probability of achieving volume and either arresting decline or contributing to growth;

- lower cost to government.

However, this needs to be complemented by better knowledge and development of targeted industry strategies. A focus for targeted industry strategies should include the newer or emerging New Apprenticeship opportunities outside the traditional trade areas. Here there is a less ingrained culture of long term contracts of training and opportunities for developing formal training strategies more supportive of rotating, non-permanent work placements.

An approach to involving the labour hire industry in apprenticeship training must be based upon a sound understanding of the industry, its different segments and the clients it serves.

Any strategies need to be part of the longer term reform of apprenticeship (and group Training) arrangements currently under way. It is apparent to us that in part, confusion around these reforms is adding to uncertainty about the future of apprenticeships at the present time. Separate strategies which add to the confusion felt by employers in industries involved in traditional apprenticeship arrangements may be counterproductive.

5.6 Medium term considerations

If labour hire or other forms of short-term, less permanent employment relationships become the norm for a significant proportion of the labour force, then a longer term approach is required. This will have implications for how:

- the skills base of the labour force is maintained;
- communication of opportunities and benefits in apprenticeship recruitment and training for both labour hire firms and their clients;
- preparation for and information for young people in school about to make the transition into work or further study;
- the development and sustaining of a deeper commitment to training as a fundamental business investment by firms - that is, the development of a training culture.

Skills base

The skills base of the future, particularly in traditional trades needs to be in development now. The research, consciousness and communications strategies outlined as short term options are also relevant for medium to longer term planning.

The research and information dissemination needs to go beyond measures of stocks and flows of skilled tradespeople in the labour market and apprentices in training. More

diagnostic studies of the labour market, the skills and attractiveness of particular trades, an understanding of why employers employ, and the different patterns of employment relationship and labour market attachment are needed.

Working with employer and employee associations to raise consciousness about the untapped skills of existing workers and the more modest investments required to build on their existing skills will be important should gaps in demand and supply for newly skilled tradespeople occur.

Working with young people

Part of the "problem" in apprenticeships is identified as a lack of suitable applicants. Young people apparently do not necessarily view apprenticeships as a highly placed post-school option. Young people may not be being prepared for a future working life in which labour hire arrangements may be more of the norm.

The nature of changes in the labour market and the skills required for success are occurring so rapidly that it is important that young people in school are well informed about these issues. It is important for students to be fully prepared while they are in their compulsory schooling years for what they might experience in terms of work and labour force attachment, and for career advice and course information mechanisms in place for middle to senior secondary students to be aware of changes in employment and training.

The excellent initiatives undertaken in all jurisdictions around VET in schools provide a springboard for raising student consciousness. New Apprenticeships in schools offer a very practical example of assisting in the transition. Over time, as New Apprentices in schools become more common, there may be opportunities to encourage labour hire firms, along with their medium to long term clients, to consider New Apprenticeships in schools as a valuable source of supply of new and developing skills.

Training culture

Given the evidence provided by our survey about the amount of training provided and required by labour hire, it is safe to conclude that training as a serious business investment with future pay-off is still outweighed by short term decision making driven by the immediate business environment.

Strategies at the national and state level to encourage the development of a training culture as a sustainable business and personal investment need to consider the particular case of labour hire firms and their clients. The policy interventions around training culture development should recognise this form of labour market attachment and pursue models supportive of employment arrangements which provide an alternative to the traditional 'permanent' model. Given the nature of the labour hire businesses and their

business drivers, a combination of approaches that tackle collective action, individual business investment and personal skill development are likely to be required.

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Impact of labour hire on apprenticeships - Volume 2: Appendices

19 October 1998

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Introduction

The following case studies could not have been prepared without the willing assistance of the firms depicted here. We are grateful for their assistance in our research. It is clear to us from the interest shown by the labour hire firms we interviewed that there are many in the labour hire industry that are concerned about the skills in there industry and that their commitment will provide a basis for future action.

The material presented here has been compiled for a specific purpose, that is an examination of labour hire and apprenticeship training.

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Appendix A2.1

Case Study – Adecco/Shoalhaven Council

19 October 1998

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1 Executive summary

Adecco is described as the largest recruitment and labour hire firm in the world. In Australia, it has a $500m turnover and is one of the largest employers in the country. This case study focuses on the Wollongong regional office of Adecco, which has operated in the region for 12 years and employs 200-300 labour hire workers at any given time.

Shoalhaven Council is the client of the labour hire firm. It is the premium employer in the region and maintains a large day labour workforce, and 12 apprentices (employed through local Group Training companies).

The following case study is based upon discussions with the Wollongong Regional Business Manager for Adecco, the General Manager of ISD Group Training and Employment and the Human Resources Manager of Shoalhaven Council.

We found that:

- Shoalhaven Council use labour hire to supplement a permanent workforce operating under strict staff ceilings;
- Adecco assists Shoalhaven Council through the provision of specialised professional and some trade skills;
- labour hire enables Shoalhaven to avoid additional permanent employment in situations where there is a fluctuating demand for specialised skills;
- Shoalhaven continues to use apprentices through the specialised labour hire arrangements of Group Training.

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2 Adecco

2.1 The company

On 20 August 1996 Adia and Ecco merged to become the largest recruitment/labour hire company in the world and in Australia. Adecco has about 500,000 employees world wide at any one time and has an annual turnover of about US$12 billion. The annual turnover in Australia is in the area of $500 million and the company is the third or fourth largest employer in the country.

This case study involved the Wollongong Regional Office of Adecco which provides recruitment and labour hire services throughout the Illawarra region. It is based on discussions with the Regional Business Manager in Wollongong.

The company has operated in Wollongong for twelve (12) years and is the largest recruitment/labour hire company in the region.

Over the next few years the company expects to at least double the size of the business in the region, notwithstanding the relatively tight labour market. For example, there have been no major projects in the Illawarra region for two (2) years, which have a major impact on employment in construction and other industries.

This projected growth is expected to come from the rapidly changing nature and perception of employment. Four of the top ten Adecco clients in the region are currently outsourcing functions and people in industries like steel, mining, coal and paper.

The major industries that the company services in the region are manufacturing, energy, service, commercial, industrial and the public sector.

The main focus is on professional, technical and sub-trade occupations, with a lesser emphasis on the trades which are seen to be the core business of a number of the company's competitors in the region. However, Adecco will endeavour to serve most labour supply needs of their clients.

2.2 The workforce

The Adecco workforce in Wollongong is made up of:

- a labour hire contingent of two to three hundred people employed at any one time by Adecco. The length and nature of the employment contracts of each staff member depends upon the nature of each placement with a host enterprise Of this workforce some twenty-five to thirty are tradespeople; and

- seven permanent employees who provide the management, administration and field support for the company.

To maintain a labour hire workforce of two to three hundred workers in operation with host employers the company has a skill pool of some four to five hundred people.

Adecco staff are employed in accordance with relevant awards, enterprise bargaining and certified agreements. The length of employment with a particular company varies according to the needs of the enterprise.

Adecco believes that there is a growing group of individuals in the community who prefer labour hire employment. The reasons suggested for this include more dollars in the hand (casual/contract loading) rather than non-monetary benefits, flexibility to move around, non involvement in enterprise politics and a capacity to obtain a diverse array of skills in a variety of workplace environments.

This group of people are referred to by Adecco as the "options generation" and are characterised by the fact that all they have known is unpredictability and constant change in their lives and work. They also have a more mobile and flexible view of the future. Their values are said to include results, care for people, acceptance of responsibility, acceptance of change and a desire to have fun.

Adecco is concerned at the entry of 'fly by night' operators into the labour hire industry who leave a bad taste with both enterprises and employees. Particular characteristics can include cash in hand, no pay slips and probable avoidance of payroll tax.

Adecco is a founding member of the Recruitment and Consulting Services Association (RCSA) which is concerned with, among other things, the development of codes and minimum standards for the industry. Adecco see this as one mechanism for providing self-regulation of the industry.

2.3 Recruitment, personnel management and skills development

Adecco uses a variety of methods to recruit employees for labour hire. These include advertising and networks of employees and clients.

The difficulty in recruiting suitable employees fluctuates according to the state of the local economy and labour market. Particular areas where skill shortages have emerged in recent times include steel fixers, boiler makers and the electrical and mechanical trades.

Adecco believes that the changing scale of temporary employees sourced under labour hire arrangements and the increasing recourse to this by firms have become a regular, if not permanent, component of the workforce.

Administration of this workforce has become complex. Multi-site, multi national staffing contracts are commonplace, and just in time inventory concepts have been extended from factory floor to front office personnel.

Adecco recognises that not everyone is suited to labour hire and that some prefer predictability and tenure. They have a deliberate approach to selection which tests for suitability to labour hire working arrangements, in particular the capacity to move between many jobs.

The company believes that through innovative testing and evaluation it is able to deliver a workforce that is not only flexible but ready, willing and able to perform at a moments notice.

Adecco has developed a skills assessment and matching program called Xpert which is designed to provide a clear picture about a candidate's ability, willingness and enthusiasm for a particular job. The profile consists of two sets of questions. One set is completed by the client and the other is completed by the employee. Xpert has three elements: "Can do"; "Will do"; and "Will Fit".

- Under the "Can do" element Xpert offers a wide range of testing options starting with basic skills such as practical reasoning, dexterity and reading comprehension and then proceeding to more specific job related evaluation.

- Under the "Will do" element a computer based assessment provides an insight to an applicant's attitude, motivation and work ethic.

- Under the "Will fit" element Xpert measures those aspects of personality which may be important in a specific job. It is about the fit between an applicant's interests and work preferences compared with specific client work environments.

The client assessment provides a list of dimensions which reflect types of environments in which people may or may not prefer to work. The client rates each dimension according to their organisation's requirements. The employee is asked a series of questions that relate to the dimensions. These include working alone versus working with people and working under pressure versus working in a relaxed environment.

The comprehensive Adecco candidate profile enables Adecco to confidently match not only for skills and attitudes, but the best working environment which they believe provides a considerable benefit to both client and employee.

Adecco also believes that the quality and sophistication of the matching process improves with the maturing of the relationship between the labour hire firm and host enterprise because the partners have a better knowledge of needs and what works best in different host enterprises, including the preferences and abilities of individual workers to contribute to the host enterprise.

The company places a strong emphasis on the ongoing development of the skills of its permanent managerial, administrative and field staff across a range of areas including technology and customer service. Development of other staff is achieved through the job matching process.

2.4 Apprenticeships

Adecco does not employ or train apprentices as part of its labour hire operations. There are three principal reasons for this:

- there is no demand for apprentices from their client firms;
- Adecco does not experience any labour shortage themselves;
- they are not strongly positioned in the skilled trades market segment of labour hire.

If a client wants an apprentice the company refers them to local Group Training Schemes including Illawarra Skills Development (ISD), and provides the client with an information kit about Group Training.

Adecco believes that the demand for apprentices has weakened in recent years fuelled in part by an increased reliance on labour hire, as different firms source an increasing proportion of their workforces they are less likely to train and labour hire firms train very little, if at all. Other issues are cost effectiveness including the relative cost of apprentices vis a vis a fully qualified trades person, and the outsourcing of functions like maintenance.

The company has begun to be aware of the need to maintain and develop the skills base and believes that part of the answer lies in the further development of Group Training.

Possible avenues for that further development could include more formal relationships between reputable labour hire companies and group training schemes, the merging of labour hire companies and group training schemes, or the development of group training schemes by labour hire companies.

3 ISD Group Training and Employment

3.1 The company

ISD Group Training and Employment is a Wollongong based group training company that was established about two years ago.

The company grew out of a body established four years ago from funds provided by the Office of Labour Market Adjustment (OLMA). At that time the role was multi-industry in focus and could be equated with that of a Regional Industry Training Advising Body. One of the objectives of that organisation was to establish a Regional Group Training company, which subsequently occurred.

The company currently employs ninety-six (96) apprentices and trainees and has a target of growth to one hundred and fifty (150) apprentices and trainees by mid 1999.

It is also registered as an employment agency with the NSW government but has not acted on that registration to move into the general labour hire field.

Information and views for this case study were provided by the General Manager of ISD.

3.2 Group Training and labour hire

ISD has recently established an informal relationship with the labour hire company Adecco under which there has been an exchange of information and promotional literature and Adecco refers any requests for apprentices or trainees from its clients to ISD. The numbers of referrals is not significant at this stage, but it does provide an opportunity for providing assistance if any of Adecco's clients seek an apprentice.

It is the view of ISD that labour hire companies do not generally employ apprentices or trainees and as a consequence their growth is contributing to the reduction of structured employment and training, particularly in the traditional trades and traineeship occupations. Labour hire companies cannot operate effectively without a pool of skilled labour, and therefore need to be actively involved in the provision of structured employment and training.

On the other hand, there is a need for industry to be educated on the potential impact of labour hire on the pool of skilled labour and for it to become involved in partnerships and alliances aimed at overcoming the problem. When firms continue with outsourcing or replacement of permanent workforces with labour hire employees it is a real possibility that the skills pool will dry up.

ISD recognises the need to draw labour hire companies into the national training system as active participants and believes that encouragement for the formation of partnerships and strategic alliances could be one way in which this objective could be achieved.

However, ISD is concerned that the achievement of partnerships or alliances should not be conceived or implemented in a way which is threatening to the existing Group Training infrastructure which is largely community based and owned. Any approach which is hamfisted could lead to a reduction of community ownership of the school to work transition process and in turn, might have the reverse effect to that intended and undermine the future growth of the training system, in their view.

4 Shoalhaven City Council

4.1 The Council

The Shoalhaven City Council is headquartered at Nowra on the New South Wales south coast.

In 1996/97 the Council operated with a budget of $113m - less than half of which is derived from rates. The balance came from user fees and charges, commercial operations and government grants and subsidies.

Major expenditure by the Council included water supply infrastructure, waste water infrastructure and roads, car parks and drainage.

These notes were written following discussions with the Human Resources Manager of the Council.

4.2 The Workplace

The Council is fundamentally a day labour organisation and has a permanent workforce of about seven hundred and seventy (770) about two thirds of whom are outdoor workers and one third indoor workers.

The Council workforce has declined by about 10-15% over the last five (5) years and staffing levels are not expected to increase in the foreseeable future. The aim is to achieve productivity improvement and efficiencies through workplace reform, and there has been no wholesale tendering of services or market testing.

Surplus work over and above that which can be undertaken within the existing workforce numbers is undertaken by contractors. Skills gaps, including trade skills, are occasionally met through labour hire. There is a particular problem for the Council in the sourcing of specialist skills, such as professional engineers.

The Council has no difficulty in recruiting at the tradesperson level and below. It is regarded as a 'premium employer' in the Shoalhaven area and there is a perception of job security. The turnover is very low and the industrial relations climate conducive to multi skilling, workplace reform and the provision of some community services on a volunteer basis, including some emergency services for the area.

On the other hand, Council does have difficulty in recruiting specialists like engineers - a process often complicated by spouse careers and the difficulties associated with relocation to a semi-rural location in these circumstances. In particular, Olympics related construction and other activities are also expected to have some impact on the ability to recruit specialist staff.

The difficulties in attracting specialist staff is the prime reason for using labour hire by the Shoalhaven Council.

4.3 Apprenticeships and training

The Council employs twelve (12) apprentices through Group Training Companies. Its intake of apprentices has been consistent, but without growth over recent times.

The outsourcing of apprenticeship employment to Group Training Companies is partly driven by the desire to minimise costs associated with recruitment when opportunities provided by the Shoalhaven Council in the local area are at a premium and applicants are numerous.

The human resources policies of Council are focused on:

- the development of managerial skills in an era of workplace reform;
- occupational health and safety to support Council's role as a self insurer; and
- staff computer skills, recruitment and selection techniques and specific skills for occupational groups within the Council workforce.

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Appendix A2.2
Case Study - Australian Defence Industries (ADI)/Labour Hire Firm

19 October 1998

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1 Introduction

Australian Defence Industries Limited (ADI) is a manufacturing company that has a number of operations throughout Australia producing equipment for the Australian Defence Force. The organisation has existed for many years, and used to report directly to the support elements of the Department of Defence. In 1989 ADI was set up as a company owned by the federal government, and since then activities have become more commercial.

This study focuses on ADI operations at the Bendigo site, where the number of employees and apprentices has declined in the last ten years. At this site the firm relies on Labour Hire arrangements to satisfy its fluctuating demand for trade skills, though this strategy is changing as the firm finds it increasingly difficult to recruit tradesmen, either through labour hire or permanent employment arrangements. In response to the perceived skills shortage ADI are taking on more apprentices, particularly in the boiler-making trade, rather than relying on other sources for skilled workers. One of the labour hire firms that provides contractors to ADI also has difficulty recruiting tradesmen, and confirms that there is a skills shortage for traditional trades in the Bendigo area at the moment.

ADI uses labour hire to meet its peak demand for workers, and occasionally to meet specific skill requirements, rather than a way of permanently outsourcing the HR function or subcontracting a non-core activity. The firm also uses a variety of labour hire firms to supply labour and selects one on the basis of its needs at the time. All labour hire employs are integrated with the ADI work teams, are supervised by ADI staff, and generally form part of the normal workforce for the duration of their contract.

For this case study we interviewed the Human Resource Manager, the Apprentice Supervisor, and a Leading Hand in one of the ADI workshops. We also interviewed the two owners of a local labour hire firm, which provides contract staff to ADI.

We found that:

- labour hire employees receive training to cover the obligations of the labour hire firm and the client for Occupational Health and Safety (OH&S), little ongoing professional training is provided;
- the people interviewed believe that there will be a skills shortage for trades in the future, and that this situation is already occurring in Bendigo, where recruiting qualified and suitable tradesmen is presently difficult;
- ADI need tradesmen with skills that exceed the industry standard, and hence find it more difficult than other employers to recruit suitable and qualified workers;

- the people interviewed agree that when deciding to 'make or buy' trade skills, firms with specific skill requirements, and limited access to a reliable labour supply, will choose to train apprentices;
- the labour hire firm believes that if the skill shortage continues employers will decide to train apprentices again.

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2 Australian Defence Industries Limited

2.1 Background

Australian Defence Industries Limited (ADI) is a manufacturing company with several sites throughout Australia that produce equipment for the Australian Defence Force. The organisation has been producing defence equipment since 1943 at the Bendigo site, which was then known as the Ordnance Factory Bendigo, and traditionally reported directly to support elements of the Department of Defence. In 1989 ADI was set up as a company owned wholly by the federal government, with a view to manufacturing along more commercial lines; the result is an increase in the amount of equipment manufactured for export to foreign defence forces, and for commercial use. The equipment produced is mostly light to heavy engineering equipment, such as troop carriers and assault vehicles, and the work involves designing and building prototype equipment for testing, as well as manufacturing the final products.

A decision to privatise ADI was announced in the 1997 federal budget and the company is presently going through the privatisation process, which is expected to be complete in late 1998. The effects that this change will have on labour hire and apprenticeship arrangements are not known at this stage.

2.2 Employment Arrangements

ADI is one of the largest engineering companies in the Bendigo region and it employs about 380 permanent full-time staff; this is less than in 1989, when 600 staff were on the payroll. The staff reductions have occurred mainly in the support areas, and the number of tradesmen employed at the site today is around 200, compared with 250 before it became a company. Apprentice numbers have also been reduced as part of the general restructuring, and in response to a decision to use more labour hire arrangements. Today ADI employ 25 apprentices, which is a quarter of the number employed in 1989.

Trade staff at ADI are employed in four basic trades, in the following numbers:

Trades	Qualified Employees	Apprentices
Boilermakers	70	12 apprentices
Fitters/Machiners	120	8 apprentices, 4 trainees
Electricians	8	none
Electroplaters	1	1 apprentice

Many ADI employees have worked at the site since before 1989 and the people interviewed consider that the staff turnover is quite low. Workers at ADI are employed under one of three arrangements:

- award free contracts;
- the ADI award; or
- minimum rates.

2.3 Recruitment and Development

ADI is increasingly required to be 'leaner and meaner' and efficiencies are being achieved by reducing staff numbers and using labour hire to meet peak demands in workload, rather than keeping surplus workers on the payroll throughout the year. There are also fewer apprentices employed now than in 1989, and ADI relies on the skills in the existing labour market to meet its needs. These arrangements do not always meet ADI's needs and managers are moving toward a new labour strategy that involves hiring and training more ADI staff.

ADI is having difficulty recruiting boilermakers for permanent positions, and is also having difficulty hiring them through contract arrangements. The problem is twofold; firstly, there is a general shortage of qualified applicants in Bendigo; and secondly, the standard of the work produced by those who apply often does not meet ADI's requirements. The second problem occurs because the work produced by ADI is subject to strict quality control standards, which are often more rigorous than in other workshops. For example, all boilermakers starting work at ADI complete a welding test plate, to determine the quality of their work. Supervisors at ADI report that many of the test plates look good to the naked eye, and might be acceptable in other workshops, but when they are x-rayed the welds are flawed, and will not be suitable for jobs where the equipment will be under water. Tradesmen at ADI are also expected to read technical specifications and drawings, in addition to performing the basic trade skills. Not every tradesman applying for a job, or contracted under labour hire arrangements, is able to perform these parts of the role.

ADI has tried to address its skill shortage through labour hire arrangements, though the general lack of qualified tradesmen in Bendigo is making this a difficult option. The company is also using Melbourne-based labour hire firms. This is considered expensive because the cost of using a Melbourne-based labour hire employee includes accommodation expenses. For a contract lasting several months the arrangement is not cost effective.

ADI are addressing these problems by training more of their own employees and relying less on labour hire and other arrangements. Last year there was a surplus of fitters and turners at ADI, and a shortage of boilermakers. The fitters and turners, who know the way ADI operates and are used to the standards and procedures, were sent to TAFE to become qualified boilermakers; labour hire employees were used to backfill the positions whilst the ADI employees were away for training.

In response to the present difficult recruiting conditions ADI are also employing more apprentices. Management believe that apprentices represent good value for money and provide a means of developing tradesmen for the future who meet ADI's requirements for trade skills. Apprenticeships also produce tradesmen who are familiar with the way ADI operates, and satisfy many supervisors' preference for someone who 'has gone through the system'.

The Bendigo site allocates around $100,000 per year for training, which managers believe represents around 1% of the current payroll expenditure. The ADI culture, along with the fact that employees tend to remain with the firm for many years, supports the training and development of permanent employees. All labour hire employees participate in an induction program which lasts a couple of hours, covers mainly formal safety training, and aims to meet ADIs Occupational Health and Safety Obligations. Additional on the job training for contractors is at the discretion of the supervisor, though as a general rule the company doesn't outlay a lot of money or resources on training labour hire employees.

2.4 Apprentices

There have always been apprentices at the Bendigo site, the number has varied throughout the years and is generally determined by workload and demand for trade skills. This year ADI have taken on 12 first year apprentices, 8 in the boilermaker trade, in response to recruiting difficulties and a perceived skills shortage.

ADI see apprentices as good value for money, because there is always work for them to do. When there are no projects scheduled apprentices are employed in tooling and making workshop equipment. According to the ADI apprentice supervisor:

> 'You don't need two tradesmen to hold a tape measure, it is far more cost effective to have an apprentice assisting a qualified tradesman'.

Apprentices at ADI usually start their contract of training when they are around 18 years of age. VCE graduates are generally preferred because managers and supervises feel that they are more likely to meet the selection criteria, which include; ability to read

technical specifications, report writing ability, and the confidence to highlight problems to supervisors. In the apprentice supervisor's personal opinion high school graduates who have not done TAFE courses or VET in schools are often more suited to apprenticeship positions because they haven't learned bad habits, and are prepared to learn the techniques required in this industry.

ADI have been approached, like many other companies, to employ their apprentices through group training arrangements. The firm has chosen not to pursue this option because it believes that apprentices can be better managed in-house. ADI has tried the group training arrangement, but because the apprentice remained for the full four years the double handling of administration caused problems, without the benefits of cross-training. ADI also want apprentices to be an integrated part of the workforce, and work with the rest of the team. Being a direct employee of the company encourages this.

ADI have more apprentices than most other employers in the Bendigo region, and are able to negotiate the timing, and to some extent the content, of off the job training components with TAFE. They prefer this arrangement as it allows them to maintain some influence over the modules being taught, the quality of the training, and the experience gained.

All ADI apprentices are hired for the full four years of their contract of training, and sign a contract saying that the company is not under an obligation to offer full time employment after the apprenticeship. Apprentices apply for full time work at the completion of their training and most are employed. The appointment of apprentices at the completion of training represents a return to ADI on its investment. By this stage the worker is also familiar with ADI procedures and can usually continue on in their current projects. The apprentice supervisor states that there is a very low dropout rate for ADI apprentices, those that do not complete their contract usually move on to different industries entirely. For instance, one apprentice left part way through his second year because he was making a career change to hospitality. ADI will release apprentices if the arrangement is not working out.

In addition to apprentices ADI have four mature age trainees working at the site. This is a one-off arrangement, designed to provide assistance to the long-term unemployed, and is an agreement between the commonwealth and ADI. The trainees were selected from around 60 applicants, who registered interest at an ADI open day, and subsequently completed 8 units at TAFE. Four trainees were selected and are employed on a special project at ADI, whilst attending TAFE one night per week.

3 The Labour Hire Firm

3.1 Background

The Labour Hire firm that we interviewed for this case study commenced operations as a recruitment and placement agency for secretarial and clerical staff in 1981. The current owners, who were employees of the business from the mid-eighties, took over in 1990 and have expanded operations to include a broader range of skills and industry sectors, as well as labour hire arrangements in trade areas. The volume of work available to the business in both recruitment and labour hire has increased significantly since 1990, and the Labour Hire Firm's operations grew by one third each year from 1990-1995. The owners' perception is that there is still significant growth occurring in the labour hire market, though the amount of growth is difficult to quantify as many new participants are small sub-contractors, who set up after they have been made redundant elsewhere, and may not advertise or be recognised as labour hire operators.

There is a lot of competition in the recruitment and labour hire industries, and more competition is emerging as a result of the new employment services market. The Labour Hire firm we interviewed is privately owned and operated and the owners suggest that there 'is no longer a level playing field' because many of the firm's competitors are subsidised. The emergence of new players, and the impact that subsidies have on the market price of recruitment services, means that this Labour Hire firm is shifting the focus of its operations. Around 40% of this firm's income is from recruitment and permanent placement activities, and with the increased competition this element of the business now takes up around 60% of the firm's time and resources.

3.2 Employment Arrangements

There are currently an average of 50 to 70 staff on The Labour Hire firm's payroll and this figure fluctuates with changes in supply and demand. Labour Hire employees are paid by the hour, which means a contract can last anywhere between one hour and many months, or even years. Labour Hire workers are selected from the firm's database, or recruited through advertisements for a position, depending on the client's requirements and the labour supply at the time.

Labour hire employees are not charged a fee for the placement service; whilst they are in a job arranged by the Labour Hire firm they are considered to be employees of the firm, and are covered by an employment agreement. At times when they are not working in a position arranged by the firm the workers name remains on the database, but they are under no obligations and are free to seek other employment options.

The Labour Hire firm provides employees for any type of industry, as well as different sized businesses, and has a mix of government and private sector clients. At present there are more small businesses using the firm's labour hire services than large ones, though the larger businesses are taking on more employees. Around half of the firm's business is from regular or repeat clients, who rely on the labour hire firm to meet surges in labour demand during peak periods, provide skills for special projects, provide candidates who are trialed as potential permanent employees, and outsource the HR function.

Clients expect labour hire employees to be fully operational from their first hour on the job, without having to spend a lot of time in training. Consequently, there is no demand from clients for apprentices in the labour hire arrangement and the labour hire firm do not see apprentices as a viable option for their business at present.

3.3 Recruitment and Development

The owners of this labour hire firm perceive that there will be a skills shortage in the future because of the decline in apprentice numbers, and that in Bendigo this may already be happening. From this firm's experience tradesmen who are made redundant from a job in Bendigo don't wait around to find other work, they move to the city where they think jobs can be found more easily. Similarly, there are very few qualified tradesmen who are willing to relocate to Bendigo from the city just for a six month or shorter-term contract. Even when city applicants are interested, they are unable to get bank loans or rental leases because they only have a guarantee of six months employment. Also, very few contractors are willing to commute the two hour trip each way to and from Melbourne, so recruiting skilled tradesmen in the Bendigo region is presently quite difficult.

The labour hire firm charges its clients a fee that comprises: the wage of the labour hire employee; the associated on-costs, such as superannuation and workcover; and an administration fee. The wages for the contract are determined between the employer and the labour hire firm, in consultation with the employee, and are set after considering the award and casual rates in the trade as well as any local enterprise bargaining agreements at the site. One of the constraints affecting the employment market generally in Victoria, whether it be labour hire or permanent employment, is payroll tax. The tax discourages employers from taking on more permanent staff, labour hire employees, or apprentices, and affects the labour hire firm's operating costs. The owners of this labour hire firm believe that abolishing payroll tax would go some way towards alleviating the general unemployment problem.

This labour hire firm does not conduct formal training for its labour hire employees. It addresses its Occupational Health & Safety obligations by ensuring that each employee

has the necessary skills and qualifications for their role, and by visiting all sites to ensure that they are safe workplaces. If as part of their matching process they find the right person for a job, and the applicant does not have all of the required skills or qualifications, then the labour hire firm will try to negotiate some training arrangement with the employer. For instance, the firm recently arranged a traineeship for a candidate because she had the attitude and personal qualities to suit the client but lacked some of the formal skills.

3.5 Issues

This firm identifies the following factors which discourage employers from taking on apprentices at present: the uncertainty of the future of many businesses; the commitment and supervision required from existing employees; the paperwork and administration associated with apprenticeships; and the length of current contracts and projects. The owners of the firm also believe that some employers have difficulty accepting young people, and complain that young people have a bad attitude and don't want to get their hands dirty. The owners feel that group training companies address some of the problems, and that the training wage is making trainees more affordable for employers.

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Appendix A2.3
Case study - Company Solutions Ltd/APV

19 October 1998
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1 Executive summary

APV are an international engineering group involved in process engineering and distribution – principally in food and beverage processing and selected industrial markets. The focus of this case study is its Brisbane-based manufacturing plant. It has had a five year association with Company Solutions, during which its labour force has been halved to a core permanent group supplemented by labour hire workers. APV have maintained apprentice intakes, but at a lower level. However, in 1998 the company will not take on an apprentice.

Information for this case study was derived from consultations with the Operations Manager of the APV Brisbane plant and the Managing Director and Sales Manager of Company Solutions. All three interviewees commenced their working lives as apprentices and then skilled tradespeople.

We found that:

- APV primarily use labour hire to assist with peaks in production demand;
- as APV has reduced the size of its workforce to a core level, it has also reduced its apprentice intakes;
- use of labour hire focuses on skilled trades persons who have built up a knowledge of APV over time;
- specialised production processes have meant that APV have not phased out apprentices entirely, although caution over the current economic climate (particularly the impact of the Asian crisis) means that no apprentices will be taken on in 1998;
- the successful relationship between APV and Company Solutions derives from knowledge of skill needs and quality service.

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2 Company Solutions

2.1 The company

Company Solutions (Australia) Pty Ltd is an Australian owned and operated labour hire company which commenced operation in Brisbane in November 1990.

Since that time it has undergone considerable expansion with the establishment of Branch Offices in Townsville, Mackay, Toowoomba, Perth and Sydney.

The company has a staff of thirty, twelve of whom are located in Brisbane.

This case study on the impact of labour hire on the employment of apprenticeships was written following discussion with the Managing Director and the Sales Manager of the largest branch of the company in Brisbane. Both are tradespeople and have a longstanding commitment to and interest in the development and maintenance of trade skills.

They also recognise that their business is dependent for its long term sustainability and growth on the availability of a well trained and flexible workforce.

2.2 Industries served

Company Solutions provides permanent and contract staff across a range of industries and occupations including:

- maintenance tradespeople and other staff for the mining industry - often on a "fly in fly out"[1] basis;
- civil engineers, site managers, draughtspeople, tradespeople, labourers, and process workers for the industrial engineering and construction industries;
- personal assistants, secretaries, word processors and clerical staff across all industries;
- tradespeople, process workers and supervisors for the manufacturing industry;
- professional and technical staff across all industries.

The services offered by the company cover both labour hire and employment placement:

- the provision of permanent and temporary personnel who have been screened (interviewed, reference checked etc.) prior to placement;

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[1] This involves staff who live in locations distant from the place of employment and whose work arrangements revolve around extended stints on and off the job, ie. three weeks full time on the job (seven days a week) and two weeks off on leave.

- the provision of personnel and skills at all levels to meet the requirements of the enterprise;
- a 24 hour a day service;
- a Quality Control Program for each placed employee which includes weekly on site checks by field officers;
- a skills pool of several thousand referenced and screened employees.

The company has several hundred clients (the primary focus is on the mining, engineering and manufacturing industries) and four to five hundred employees working at any time. Of these about 30% are skilled tradespeople.

The company also maintains a permanent workforce of up to 10% of those working at any time. The decision to maintain a permanent core workforce is based on two factors:

- permanent employees are usually key personnel with highly developed skills and versatility;
- it includes individuals with specialised skills in areas like workplace, health & safety, rehabilitation, train the trainer and quality assurance.

Company Solutions has industrial agreements with appropriate unions on employment terms and conditions and the company believes it has a good relationship with them evidenced by its consultative arrangements and a lack of disputation.

2.3 The labour hire market

Company Solutions was established in 1990 and underwent rapid growth in the first two to three years with ongoing gradual growth since that time.

The labour hire market is becoming increasingly tight as more firms enter the labour hire field, and Company Solutions is particularly concerned by the fact that some new players in recent years are contributing to a lowering of standards and detracting from the image of the industry generally through:

- poor quality matching of labour hire workers with host firm needs;
- undercutting competitors;
- poor employment practices and non-application of appropriate terms and conditions for employees.

The company believes that there is a need for minimum standards which are enforceable and that some form of regulation may be in the best interest of labour hire companies and consumers alike.

Company Solutions are also concerned that Group Training Companies are able to enter the deregulated labour hire industry when genuine labour hire companies are not eligible for Government subsidies to offer a group training service as a complement to their broader labour hire activities. Company attempts to become involved in Group Training so far met with resistance by government agencies.

Notwithstanding these concerns Company Solutions believes that there will be steady growth in the labour hire market overall during the next five years fuelled in part by a steady growth in outsourcing as Governments across Australia continue to corporatise and privatise.

The Company believes that it will share in that growth by ensuring that it offers a quality and flexible service complemented by effective marketing.

2.4 Employee recruitment and development

To ensure that the focus on quality of placement is achieved, Company Solutions manages the skills pool by a sophisticated electronic tracking system supported by high quality and well trained company staff. The aim of the company is "to always send the right person".

Initial recruitment is by advertisement and word of mouth, and the company has no difficulty in attracting staff. This exceptions to this are good trades people who are in short supply and are always at a premium.

Company Solutions believes that more and more people are attracted to employment with a labour hire company because they like diversity and the experience of moving from job to job and achieving a very broad range of skills.

The company also believes that for a good trades person in particular there is greater security and tenure working for a labour hire firm than in so called permanent employment. It can point to employees who have been with the company for many years and not missed a day of work that has not been of their choosing.

The aim of Company Solutions is to select the right person for the client, and the matching process is based on extensive collaboration often as part of a long term relationship between the company, the employee and the client. The company believes that there is sufficient supply of skills in the labour market (in most areas) to achieve this objective without training. This has been its experience to date.

While the skills of an individual may be narrow at the point of recruitment the aim is to develop a high skilled flexible person through exposure to a variety of work places and work practices.

The matching of the skills and characteristics of the individual with the requirements of the firm is the measure of the success of the labour hire firm. The three main attributes that Company Solutions screens for are:

- basic skills;
- personality; and
- capacity to handle diversity in work and across working environments.

The experience of Company Solutions is that host employers will provide additional company specific training if they believe that the individual has potential, and that there is a high probability of a longer term relationship, either in ongoing labour hire arrangements or permanent recruitment.

2.5 Apprenticeships

When Company Solutions was first established it met its obligations under the Training Guarantee legislation by funding the employment of a number of apprentices with host companies.

The company stopped the practice when the Training Guarantee was abolished because of:

- increasing competition;
- smaller margins;
- the absence of an industry and economy wide obligation to train where everyone contributes.

The company is keenly aware that one of the contributing factors in the reduction in apprentice employment is the growth of outsourcing and increased use of labour hire as companies seek to reduce costs, focus on core business and be internationally competitive.

Company Solutions is also becoming aware that the long term future of the labour hire business is in part dependent on its ability to attract good tradespeople, and that in many trade areas these people are already in short supply.

The company would be happy to participate in arrangements which promote the employment of apprentices provided they are cost effective and do not detract from its own ability to compete in a market which is becoming increasingly tight.

The options it believes may encourage the labour hire industry to become involved in the training system include:

- the re-introduction of some form of Training Guarantee which is effectively policed;
- access to subsidies which are now only available to Group Training Companies operating in a protected environment.

In both cases Company Solutions would be keen to ensure that minimum standards are developed and maintained to ensure that young people are protected, and the mutual obligations embodied in training contracts are met.

2.6 Other inhibiting factors

Company Solutions believes that there are a number of other factors which are contributing to the fall in apprentice intakes in the traditional trades.

They include the lack of adequate vocational preparation of young people in schools to ensure they understand the reality of the modern labour market with its increased emphasis on outsourcing and labour hire. The company believes that this lack of vocational preparation manifests in poor attitude and discipline.

Inflexibility in training arrangements have not assisted the employment of apprentices. Factors cited by Company Solutions include the mandatory requirement (until recently) in Queensland for apprentices to receive their off the job training by block release a system which is at odds with the increasing requirements for diversity and flexibility in the labour market. The company was unaware that this restriction is no longer in place.

3 APV – the client firm

3.1 The company

APV is an international engineering group involved in process engineering and component manufacture and distribution. APV principally serves the food and beverage processing industry and selected industrial markets.

APV has a network of sales and service offices in 42 countries covering North and South America, Europe, the Middle East, Africa, New Zealand and Australia.

The head office of APV in Australia is in Melbourne and there are sales outlets in all States. Stainless steel fabrication has been undertaken in Brisbane for nearly 40 years and is now the only manufacturing plant in Australia. There were previously plants in Sydney, Melbourne and Brisbane.

The documentation of this case study is based on discussions with the Operations Manager at the Brisbane plant. The Operations Manager has been with the company for approximately thirty years, having started as an apprentice sheet metal worker.

3.2 The workforce

APV has a permanent core manufacturing workforce of thirty people, twenty of whom are tradespeople and ten are apprentices employed directly by the company.

Ten to twelve years ago the permanent workforce was approximately double that number - made up of forty tradesperson and twenty apprentices.

Increasing pressure to be internationally competitive led to a reduction in the permanent workforce to that which is required to maintain the specialist skills required in the manufacture of stainless steel products - the core workforce.

The company pays above the award rate and has a very low turnover of staff. The average tenure of existing permanent skilled staff being more than fifteen years. APV works to ensure that it retains the services of its core skilled staff because of the specialised nature of its manufacturing process.

The workforce is totally unionised (including permanent and labour hire employees) and the company has a good working relationship with the AMWU.

3.3

3.4 Factors influencing the use of labour hire

The APV supplements its core permanent workforce with up to thirty skilled personnel employed by the labour hire Company Solutions to cater for surges in demand.

In 1995, 1996 and 1997 there were up to sixty people working in the workshops, including periods of up to four nights a week overtime and work on Saturdays. This peak workforce was achieved through labour hire.

APV is very happy with its ongoing five year relationship with Company Solutions and believes that the key to the quality of the relationship is continuity and the detailed knowledge that Company Solutions has developed of APV skill and labour requirements. It has also enabled APV to establish a list of people employed by Company Solutions who are highly skilled and understand the APV products, processes and requirements.

In general, Company Solutions will endeavour to provide APV with the same labour hire staff. However, the detailed knowledge Company Solutions has now developed of APV requirements means that it is able to select new labour hire employees for them with high degrees of probability as to their fit and suitability.

In the light of the specialist nature of APV products labour hire will always be a supplement and will not replace the core workforce. The blending of skills and experience to dovetail with business peaks and troughs is cost effective and efficient without detracting from quality.

The relationship with Company Solutions is seen to be crucial and APV is critical of those labour hire companies who are only interested in "body hire" without emphasis on the need to match the skills of the individual with the requirements of the enterprise.

The Operations Manager observed that surprisingly, in his view, there are increasing numbers of skilled people who prefer to work on a labour hire basis. The reasons include a desire to move around, more take home pay, no faith in the traditional concept of permanency and greater job satisfaction through diversity.

3.5 Apprenticeships

APV has been a long time employer of apprentices. It does this because of:

- an ongoing commitment to skill development for their industry and for young people; and
- an understanding that to secure the specialised skills at a quality required for its manufacturing process it is necessary to undertake in-house development of staff.

However, 1998 will be the first year in more than thirty years that APV will not be employing a new apprentice as a result of tight market conditions and concerns about the impact of recent developments in Asia.

On the other hand APV is concerned about the emerging shortages of good trades people, and at the fact that is becoming increasingly difficult to attract enthusiastic bright young people to traditional apprenticeships and to maintain their interest for the life of the apprenticeship.

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Appendix A2.4
Case Study - SILCAR/Amcor

19 October 1998

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1 Executive Summary

Australian Paper operate as a subsidiary of Amcor, producing paper products for the Australian domestic market. All maintenance functions at the paper manufacturing site in Burnie have been outsourced, and are now managed under contract by SILCAR, who have in turn outsourced the management of all their apprentices to North West Group Training, a not for profit organisation managing around 230 apprentices and trainees in the Burnie area. There have been significant changes to the way in which apprentice training is managed at the site since outsourcing, and a decline in the total number of apprentices employed.

This case study looks at the apprenticeship arrangements in place at the Amcor paper manufacturing site in Burnie, and explores the effect that labour hire and contracting arrangements have had on the number of apprentices employed. For this study we interviewed the General Manager of SILCAR, Services Manager of SILCAR, and a leading hand in the Power and Control workshop. In addition we interviewed the Human Relations manager for Australian Paper and an operations manager for North West Group Training.

We found:

- there are fewer apprentices employed now than prior to labour hire/contracting arrangements;
- the primary obstacle for employers providing more apprenticeships is cost and return on investment; and
- the number of supervisors in the workplace restricts the number of apprenticeship places which can be offered.

The majority of SILCAR's tradesmen worked at the site when Australian Paper performed their own maintenance, and simply 'changed uniform' when the function was outsourced in June 1994. Few skills were lost during the transition and SILCAR maintain that efficiencies are gained through improved management processes. One of the primary reasons for entering into a labour hire arrangement, and contracting the maintenance function, is that Australian Paper can now concentrate on their core business of making paper products, and have clearer cost controls over the maintenance elements of their operations.

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2 Case Study[1]

2.1 Australian Paper

Australian Paper is a subsidiary organisation of Amcor, and is part of the Amcor Paper Group, which also manages a paper company in the United States. Australian Paper was formed in late 1993 by the merger of Australian Paper Manufacturers and Associated Pulp and Paper Mills (Australian Paper brochure); the company's primary business is the manufacture of paper products for the Australian domestic market, with occasional overseas orders (approx 1% of products are for export). Stability in the domestic market is currently threatened by Indonesian manufacturers, who are selling or 'dumping' their paper products in Australia at prices lower than they are charging in their own country. Though Amcor is taking legal action the case for dumping has now become difficult to prove due to the Asian crises, and the devalued Indonesian currency. The outcome of this dispute, and the activities of overseas competitors for the Australian domestic market, will have a bearing on the viability of Australian Paper's operations, and on the employment and training prospects for employees at the Burnie site.

At present Australian Paper can buy pulp for three hundred dollars per ton less than they can manufacture it. Amcor made a loss in the financial year ending 1997 of $80.1 million, down from a profit of $338.8 million in the previous year (Amcor Annual Report, 1997). In the past the company has preferred to keep pulping operations in-house to maintain strict quality controls (the quality of the pulp used in paper making determines the quality of the end product); this practice no longer seems viable and discussions in the near future will determine the future of the pulp mill at the Burnie site. If the mill closes managers speculate that around 200 redundancies will result, both of Amcor employees and those from the maintenance contract operated by SILCAR. North West Group Training stipulate that if the mill closes it is likely that all apprenticeship positions at the site will also be lost.

2.2 SILCAR Maintenance Services

SILCAR Maintenance Services is an equally owned joint venture between two world class engineering companies, Siemens Ltd and Simon Engineering (Australia) Limited. (SILCAR brochure.) SILCAR provide engineering and maintenance services in the manufacturing, mining and power industries, they perform a broad variety of tasks ranging from procurement and inventory management, through to plant maintenance, modifications, and alterations to capital equipment. SILCAR do not operate a straight labour hire business, where individual employees are hired out to and supervised by the

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[1] This case study was conducted in April 1998. Since this time AMCOR have announced the closure of the Burnie Paper Mill and employment arrangements have changed. The details of this case study were correct at the time of writing.

client, instead they either manage an entire maintenance function or a discrete part of the function; all SILCAR employees report to SILCAR managers. The organisation has aggressive forecasts for the next few years, and rely mainly on networking and existing long term relationships for their expansion opportunities.

SILCAR's General Manager believes the key to success in this industry lies in having good management processes, and if an employee is identified as having good management skills, regardless of their level of employment within the organisation, then the General Manager encourages development of these skills. This is the way in which SILCAR plan to achieve efficiencies, often with the same staff performing tasks as were employed before outsourcing. When a maintenance function is contracted SILCAR will usually take on the client's existing employees, around 80% of staff generally choose to stay on under the contract, and wherever possible SILCAR will introduce their own managers. There are very few skills lost during the transfer owing to the number of existing employees who simply 'change uniforms'; SILCAR promote this strategy because they believe that few efficiencies are to gained by changing the workers, who adapt readily to change, they focus on managers and management processes to achieve their outcomes.

2.3 Labour Hire Arrangements

Paper has been manufactured at the Burnie site for around 63 years; Amcor took over operations in late 1993 and the maintenance function was outsourced to SILCAR in June 1994. Incentives to use labour hire and outsource the maintenance function rather than keeping it in-house included:

- improve financial control over the maintenance function;
- improve accountability; and
- highlight real expenditure.

From SILCAR's perspective clients benefit from the following:

- outsourcing results in a firm having to deal with fewer unions, as well as personnel and industrial relations issues;
- maintenance tends to detract from core production in the manufacturing industry, outsourcing allows a company to focus on core business;
- traditionally money has been diverted from maintenance budgets to fund production, outsourcing gives clearer cost controls and ensures that appropriate maintenance is carried out, by 'quarantining' maintenance funds; and
- the company has clearer controls over minor modifications and alterations, rather than squeezing them out of the maintenance budget.

At the Australian Paper site in Burnie SILCAR employ 135 staff, including some new positions created after they took over the maintenance contract. When SILCAR took over maintenance functions they increased the focus on quality and engineering support systems, increased autonomy of the maintenance function, improved management standards, and improved documentation of maintenance procedures. Amcor report that contract handling also became more systematic and financial controls were improved. Australian Paper are making an adjustment to the present arrangements, taking back purchasing from the maintenance contract because they believe they can achieve better economies of scale by centrally negotiating supplier contracts for several sites.

Once a year Amcor and SILCAR meet to agree an annual budget for maintenance activities at the Burnie, Wesley Vale, and Shoal Haven sites. Once the budget has been determined the achievement of outcomes is SILCAR's responsibility, though Amcor provide feedback if they are unhappy with performance or the number of employees in a particular area; this doesn't happen often. There are specific outcomes identified in each of five key performance areas:

- environmental standards;
- safety standards;
- SILCAR's overall performance;
- the effect of maintenance on production; and
- the condition of the plant.

The performance outcomes are the subject of a monthly site review, a quarterly review, and an annual senior management review.

2.4 Recruitment and Employment

Australian Paper has an extraordinarily low turnover of employees (1% annual turnover), which the Human Resource manager believes is due in part to the lack of other job prospects in the area, augmented by attractive pay and conditions. Australian Paper have not experienced any problems recruiting staff and there are usually plenty of people applying to become full-time employees. There are no qualified tradesmen employed by Australian Paper, all requirements for trade skills are satisfied under the maintenance contract with SILCAR. Australian Paper do not get involved in setting skill standards or determining requirements for tradesmen.

At commencement of a maintenance contract SILCAR take on the client's existing maintenance staff; there is little opportunity to reject poor performers at this stage due to industrial ramifications, though the position of poor employees may be reviewed at the end of a contract. SILCAR have a high staff turnover, approximately 15-20% per year at the Burnie site, this is lower than their Melbourne operations which experience

turnovers of around 40-50% per year. The Services Manager believes that staff leave because:

- they have taken a redundancy when the maintenance function was outsourced, and have stayed on at the plant without really thinking through their options;
- they identify better promotion prospects and career structures;
- some staff are dissatisfied with working in a contractual or labour hire arrangement, and want more job security; and
- staff are often unwilling to move when SILCAR concentrate efforts in another geographic location.

To date SILCAR have had no problems recruiting additional employees for trade positions, there is a large pool of casual tradesmen in Burnie seeking full time work at the Australian Paper site. They have significantly more difficulty in recruiting appropriate managers.

2.5 Apprentices

All apprentices for the Australian Paper site are recruited and employed by North West Group Training, who recruit students for a 16 week pre-employment program, from which they shortlist candidates for apprenticeship training. SILCAR interview the shortlisted candidates and select their apprentices, the nominated apprentices work for SILCAR for the duration of their indenture although there is an explicit agreement that apprentices may be required to spend some of their time at alternate sites to gain experience. North West Group Training's selection criteria for apprentice positions includes; education, aptitude, personality, and demonstrated interest.

SILCAR use group training services to manage the employment of apprentices at each of their sites, and the General Manager stipulates that if this were not an option they probably wouldn't bother with apprentices. He believes that group training companies make it easy to employ apprentices, without SILCAR staff being tied up arranging training and resolving issues.

North West Group Training charge host employers for wages, oncosts, and an administration fee based on the number of apprentices managed. Wages are determined in relation to enterprise bargaining agreements at the site, and the overall charge is calculated on the number of productive work hours for an apprentice throughout the year, around 1664 hours per year.

Field staff from North West Group Training visit apprentices around once per week, and hold formal apprentice meetings with management once per month. The meetings are to discuss safety, timesheets, wages, tool audits and other general issues. North West

Group Training also handle timesheets, counselling, behavioural issues, and any training or on the job issues.

The Group Training Company have found that the number of applicants for apprenticeship training in Burnie is steady but hasn't grown in the last four years, compared with the number of applicants for traineeships which has grown considerably. At the moment all Group Training apprentices at SILCAR are male, simply because there have not been any female applicants; most apprentices commence their indenture between the ages of 16 and 20 years of age.

SILCAR state explicitly that their policy is not to employ apprentices after their indenture, and apprentices sign an agreement to this effect prior to employment. According to the Leading Hand we interviewed this is a policy which was adopted by Amcor in the seventies, and SILCAR have continued the arrangement. The rationale behind the policy is that an apprentice who completes four years of training and experience with one company lacks the breadth of experience required in their chosen trade. At the completion of their indenture most apprentices leave Tasmania, heading for mines in Western Australia and Queensland.

Under the Metal Industries Award it is recommended that firms have a tradesperson to apprentice ratio of 3:1. SILCAR has a policy of working at the three to one ratio. This is now calculated on the number of tradesmen who can effectively supervise an apprentice and does not include those on shiftwork. Under this method of calculation the number of apprentices has declined from 50 in 1994 to 22 in 1998. When SILCAR originally took over the contract they were obliged to take on Amcor's apprentices, at a ratio of 2:1, and found that there was inadequate supervision and a high incident of workplace injury to apprentices.

The 22 apprentices at SILCAR are employed in the trades of: boiler maker/welder; metal fitter; and dual trades (electrical mechanic and instrument mechanic). There is some speculation by SILCAR employees about the relevance of the dual trade apprenticeships. The arrangement was inherited from Australian Paper; SILCAR and unions presently have an agreement that it will continue, however dual trades apprentices cost $85 per week more than other apprentices and the apprentice usually ends up specialising and working in only one trade area. The investment in dual trades is seen by some employees and managers as a waste of money.

All SILCAR apprentices are on a roster, spending three to four month blocks in different maintenance areas at the Amcor site during their four years of training. The SILCAR training officer who coordinates the placement of apprentices does not allow leading hands to stipulate a preference for which apprentices will be placed in their workshop, ensuring that first years get as much exposure to the job as fourth years. Apprentices may be rotated off site during their apprenticeship for further work

experience, particularly the electrical and instrument fitters who are seen to require experience additional to that offered at SILCAR.

2.6 Training and Development

All three parties are involved to some degree in providing training for apprentices. Amcor provide two hours of induction training for every employee, contractor, or subcontractor who needs access to the site. The training concentrates on OH&S and holders of access permits are required to undertake refresher training, in the form of a self paced workbook, on an annual basis before their permits are renewed. Amcor also provide training whenever there are changes in policy or procedures which affect the whole site.

North West Group Training provide 16 weeks of pre-employment training, which again includes OH&S subjects, and are responsible for all off the job and technical training for apprentices. SILCAR have found that if they provide an additional two weeks of safety training at the commencement of the apprenticeship there is an overall reduction in the incidence of workplace injury; the apprentices also receive training by SILCAR on specific equipment that they will be working with.

SILCAR have a dedicated safety training officer, who works with a training committee comprised of staff and tradesmen. The committee determines how the training budget will be allocated; training represents $115,000 of a payroll bill of approximately $5 million for tradesmen and shop floor workers.

2.7 Issues

All parties report that the primary barrier to employers taking on apprentices is the cost, and the perceived poor return on investment. In their first year apprentices require a lot of supervision, which takes qualified tradesmen away from their work, lowering productivity. In fourth year apprentices require less supervision but their wages are considered to be expensive. Apprentices are also slower at performing tasks, are frequently absent for technical and off the job training, and are paid high non-negotiable wages set at a proportion of award rates.

Apprentices at SILCAR are funded out of the firm's overall labour budget, and as the firm is required to be 'leaner and meaner' and more productive, the proportion of the budget which can be dedicated to apprentices declines. As the number of employees in the firm declines, so does the number of potential supervisors, impacting on the number of apprentice places the firm can offer.

North West Group Training believe apprentices often get better training in small businesses than in large ones, however the future of many small businesses is uncertain and many are unwilling to make long-term commitments or face the prospect of laying

off an apprentice. The potential closure of the pulp mill at Australian Paper will also have repercussions for most businesses in the area and it is unlikely that apprentice places from SILCAR would be easily replaced with places at other sites.

Incentives which would encourage employers to take on apprentices are primarily financial. SILCAR state that apprenticeships are expensive and for a firm to be able to take on more apprentices some of the costs need to be offset. Existing financial incentives in Tasmania include:

- The Tasmanian government provides $5000 to an employer for any apprentice or trainee employed in IT, dairy and processing, agricultural processing, ecotourism, and any innovative projects.
- All employers in Tasmania are exempt from payroll tax on apprentice and training wages, group training companies are also exempt because they are 'not for profit'.
- DEETYA provide a $1250 subsidy to employers when they take on an apprentice, with a further $1250 when the apprentice progresses from AQF level two to three.

Prior to outsourcing the maintenance contract Amcor used to manage apprentices themselves; the HR manager was unable to tap into incentives in the way that Group Training Companies can, in that respect he believes it is easier to hire apprentices through a Group Training Company than do it yourself. SILCAR employ all apprentices through Group Training Companies, the General Manager says that they make it easier and the company wouldn't hire apprentices if this option wasn't available.

The services manager at SILCAR expressed a personal opinion that there has been a lot of movement to protect the way training has traditionally occurred in the trades, and that there may be alternatives to the apprenticeship system. He equates trade training with the new system for training nurses and believes that full time training in TAFE for 18 months would produce people who may lack experience, but would at least possess basic skills from the time they commenced with an employer, and hence be a better return on investment. He would prefer to employ these young people as skilled workers on 90% wages until they are experienced, provided they brought skills with them and were productive from day one.

2.8 Conclusion

Amcor and SILCAR work in a very close partnership arrangement, which has different characteristics than many other labour hire arrangements. SILCAR managers, as well as employees, are located at the Australian Paper site, and meet regularly to review their

achievement of specified outcomes; all tradesmen report directly to SILCAR managers. A similar partnership exists between SILCAR and North West Group Training.

All people interviewed believe that apprentice numbers have declined over the years, and since the introduction of contracting and labour hire arrangements (North West Group Training use as an example another labour hire firm in the Burnie area with 700 employees and no apprentices). Similarly, all parties express concern for the maintenance of skills and the potential for skills shortages in the future. The consensus however, is that apprenticeships are considered to be expensive for firms operating in a depressed and uncertain economic climate, and that financial incentives provide the best means of encouraging employers to provide more apprenticeship training.

Appendix 3 – Survey questionnaire and summary results

LABOUR HIRE QUESTIONNAIRE

FAX COVER PAGE

(Please complete your details below)

To: Lisa Frye KPMG Management Consulting **Fax: (03) 9288 5564**	**From:** **Organisation:** **Phone:** ( )

When you have completed all questions, please fax to KPMG. Please ensure that all 13 pages (excluding instruction pages) are transmitted. If you have any difficulties please contact Lisa Frye on Ph: (03) 9288 5307.

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		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Under 1 year	2	5	5	5
	1 to less than 5 years	14	33	34	39
	5 to less than 10 years	11	26	27	66
	10 years or more	14	33	34	100
	Total	41	95	100	
	Missing	2	5		
Total		43	100		

A.3. Do you provide recruitment or permanent personnel placement services in addition to labour hire?*(i.e. Do you recruit people for permanent full time jobs on behalf of a client?)*

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	33	77	77	77
	No	10	23	23	100
	Total	43	100	100	

A.4. How many 'labour hire' workers do you currently have on your payroll?
(Actually working and on stand-by, '✓'one box only.)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-4 workers	3	7	7	7
	5-9 workers	3	7	7	14
	10-19 workers	1	2	2	17
	20-99 workers	17	40	40	57
	100-499 workers	14	33	33	90
	500-999 workers	1	2	2	93
	1000+ workers	3	7	7	100
	Total	42	98	100	
	Missing	1	2		
Total		43	100		

A.5. Do you expect the number of labour hire workers employed by your company to increase, decrease, or remain the same during the **next 12 months**?

('✓'one box only)

	Frequency	Percent	Valid Percent	Cumulative Percent
Increase	32	74	74	74
Decrease	1	2	2	77
Remain same	10	23	23	100
Total	43	100	100	

A.6. Do you expect the number of labour hire workers employed by your company to increase, decrease, or remain the same during the **next 2 - 3 years**?

('✓' one box only)

	Frequency	Percent	Valid Percent	Cumulative Percent
Increase	37	86	86	86
Decrease	1	2	2	88
Remain same	5	12	12	100
Total	43	100	100	

A.7. What percentage of your current 'labour hire' workers are female?

(Estimate if exact figure is not known.)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	16	37	37	37
	1	5	12	12	49
	2	1	2	2	51
	2	2	5	5	56
	3	1	2	2	58
	5	3	7	7	65
	10	3	7	7	72
	15	2	5	5	77
	20	1	2	2	79
	30	3	7	7	86
	40	1	2	2	88
	45	1	2	2	91
	50	3	7	7	98
	70	1	2	2	100
	Total	43	100	100	

Mean: 12
Median: 2
Mode: 0

A.8. How many of your current employees are in each of the following age groups?

(Estimate if exact figure not known.)

No. of staff in age group: 15-24 year old

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	13	30	30	30
	4	2	5	5	35
	5	5	12	12	47
	7	1	2	2	49
	8	2	5	5	53
	10	3	7	7	60
	15	1	2	2	63
	20	8	19	19	81
	28	1	2	2	84
	30	5	12	12	95
	50	1	2	2	98
	380	1	2	2	100
	Total	43	100	100	

No. of staff in age group: 25-34yo

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	8	19	19	19
	3	1	2	2	21
	7	2	5	5	26
	9	2	5	5	30
	10	1	2	2	33
	15	2	5	5	37
	20	1	2	2	40
	25	1	2	2	42
	30	6	14	14	56
	35	4	9	9	65
	40	7	16	16	81
	45	2	5	5	86
	46	1	2	2	88
	50	2	5	5	93
	60	2	5	5	98
	70	1	2	2	100
	Total	43	100	100	

No of staff in age group: 35-49 year old

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	7	16	16	16
	1	3	7	7	23
	2	3	7	7	30
	5	1	2	2	33
	9	1	2	2	35
	10	2	5	5	40
	15	1	2	2	42
	17	1	2	2	44
	20	2	5	5	49
	25	3	7	7	56
	30	7	16	16	72
	35	1	2	2	74
	40	6	14	14	88
	45	1	2	2	91
	50	2	5	5	95
	55	2	5	5	100
Total		43	100	100	

No. of staff in age group: 50-59 year old

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	15	35	35	35
	1	3	7	7	42
	3	1	2	2	44
	4	3	7	7	51
	5	6	14	14	65
	8	1	2	2	67
	10	8	19	19	86
	15	5	12	12	98
	20	1	2	2	100
Total		43	100	100	

No. of staff in age group: 60 & over					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	35	81	81	81
	1	2	5	5	86
	2	4	9	9	95
	3	1	2	2	98
	5	1	2	2	100
	Total	43	100	100	

Summary of current employees by age (average per firm in each age group)				
	Average no.	%		
15-24 years	20	27	median	
25-34 years	27	36		31
35-49 years	22	29		
50-59 years	5	7		
60+ yrs	0	1		
Total all ages	74	100		

A.9. How many clients/sites do you currently service in each State/Territory?

(Enter a number beside one or more states/territories.)

Clients in ACT

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	1	2	25	25
	3	1	2	25	50
	100	1	2	25	75
	200	1	2	25	100
	Total	4	9	100	
	Missing	39	91		
Total		43	100		

Clients in NSW

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	1	2	5	5
	2	2	5	10	15
	3	2	5	10	25
	7	1	2	5	30
	10	3	7	15	45
	13	1	2	5	50
	14	1	2	5	55
	20	1	2	5	60
	37	1	2	5	65
	43	1	2	5	70
	50	1	2	5	75
	150	1	2	5	80
	650	1	2	5	85
	800	1	2	5	90
	1000	1	2	5	95
	4000	1	2	5	100
	Total	20	47	100	
	Missing	23	53		
Total		43	100		

Clients in NT

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	3	7	43	43
	2	1	2	14	57
	3	2	5	29	86
	100	1	2	14	100
	Total	7	16	100	
	Missing	36	84		
Total		43	100		

Clients in QLD

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	3	7	18	18
	4	1	2	6	24
	5	1	2	6	29
	8	1	2	6	35
	15	1	2	6	41
	40	2	5	12	53
	100	3	7	18	71
	127	1	2	6	76
	250	1	2	6	82
	500	2	5	12	94
	800	1	2	6	100
	Total	17	40	100	
	Missing	26	60		
Total		43	100		

Clients in SA

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	3	1	2	14	14
	4	1	2	14	29
	5	2	5	29	57
	30	1	2	14	71
	200	1	2	14	86
	1000	1	2	14	100
	Total	7	16	100	
	Missing	36	84		
Total		43	100		

Clients in TAS

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	2	5	50	50
	5	1	2	25	75
	100	1	2	25	100
	Total	4	9	100	
	Missing	39	91		
Total		43	100		

Clients in VIC

			Frequency	Percent	Valid Percent	Cumulative Percent
Valid		3	2	5	12	12
		4	2	5	12	24
		15	1	2	6	29
		25	1	2	6	35
		29	1	2	6	41
		36	1	2	6	47
		51	1	2	6	53
		70	1	2	6	59
		180	1	2	6	65
		200	2	5	12	76
		250	1	2	6	82
		500	1	2	6	88
		900	1	2	6	94
		1000	1	2	6	100
	Total		17	40	100	
	Missing		26	60		
Total			43	100		

Clients in WA

			Frequency	Percent	Valid Percent	Cumulative Percent
Valid		1	1	2	7	7
		2	2	5	14	21
		3	1	2	7	29
		9	1	2	7	36
		10	3	7	21	57
		12	1	2	7	64
		28	1	2	7	71
		50	2	5	14	86
		500	1	2	7	93
		650	1	2	7	100
	Total		14	33	100	
	Missing		29	67		
Total			43	100		

Summary: average no. of clients per respondent*		
		Total clients
ACT	8	304
NSW	180	6825
NT	3	111
Queensland	69	2592
SA	33	1247
Tasmania	3	107
Victoria	92	3470
WA	36	1337
All states	422	15993

* Analysis includes only those 38 firms that had a number next to at least one State.

Summary: Distribution of clients in Australia		
	No.	Per cent
1-9 clients	8	21
10-49 clients	12	32
50-99 clients	5	13
100-199 clients	3	8
200-499 clients	5	13
500 and over	5	13
	38	100

A.10. In what areas are the majority of your current clients located?

('✓' one box only)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Capital city	21	49	51	51
	Regional centre	17	40	41	93
	Isolated area	3	7	7	100
	Total	41	95	100	
	Missing	2	5		
Total		43	100		

A.11. Which industry do most of your clients operate in? *('✓' one or more boxes.)*

	No.	Per cent
Agriculture	2	2
Mining	15	12
Manufacturing	25	19
Electricity, gas and water	7	5
Construction	25	19
Wholesale trade	4	3
Retail trade	4	3
Transport and storage	12	9
Accommodation, cafes, etc	3	2
Communication	6	5
Finance and insurance	4	3
Property and business serv.	5	4
Govt administration	6	5
Education	1	1
Health and community ser	3	2
Cultural and recreation ser	0	0
Personal and other services	3	2
Other	5	4
Total	130	100

A.12. What size firms do you currently service?

('✓' one box or more.)

	No.	Per cent
0-4 employees	12	8
5-9 employees	18	12
10-19 employees	26	18
20-99 employees	29	20
100-499 employees	28	19
500-999 employees	22	15
1000 or more employees	11	8
Total	146	100

A.13. What type of trade skills do you provide to your labour hire clients?

(Trade skills cover work which is undertaken by a certified tradesperson.)

('✓' one box or more.)

	No.	Per cent
Do not provide trade skills	5	4
Motor	11	9
Building	24	19
Electrical	26	21
Metal	27	21
Furniture	5	4
Hort/agricultural	5	4
Cookery/hospitality	5	4
Refrigeration/AC/ electron	9	7
Other	9	7
Total	126	100

A.14. What was the duration for your labour hire contracts **in 1997**?

(Please indicate the number of your contracts which fall into each category. Estimate if necessary.)

No. of contracts less than 1 day duration

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	35	81	83	83
	1	2	5	5	88
	2	1	2	2	90
	10	2	5	5	95
	60	1	2	2	98
	464	1	2	2	100
Total		42	98	100	
Missing		1	2		
Total		43	100		

No. of contracts of 1-6 days duration					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	28	65	67	67
	1	2	5	5	71
	10	1	2	2	74
	12	2	5	5	79
	20	3	7	7	86
	25	1	2	2	88
	30	1	2	2	90
	40	1	2	2	93
	55	1	2	2	95
	70	1	2	2	98
	1253	1	2	2	100
	Total	42	98	100	
	Missing	1	2		
Total		43	100		

No of contracts of 1-3 weeks duration					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	25	58	61	61
	1	2	5	5	66
	2	1	2	2	68
	4	1	2	2	71
	10	2	5	5	76
	20	4	9	10	85
	30	1	2	2	88
	40	1	2	2	90
	50	1	2	2	93
	60	1	2	2	95
	150	1	2	2	98
	2744	1	2	2	100
	Total	41	95	100	
	Missing	2	5		
Total		43	100		

No. of contacts of 1-3 months duration

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	27	63	64	64
	1	2	5	5	69
	2	1	2	2	71
	5	3	7	7	79
	15	2	5	5	83
	20	1	2	2	86
	30	1	2	2	88
	50	1	2	2	90
	80	1	2	2	93
	120	1	2	2	95
	140	1	2	2	98
	146	1	2	2	100
	Total	42	98	100	
	Missing	1	2		
Total		43	100		

No. contacts of 4-6 months duration

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	28	65	68	68
	1	2	5	5	73
	2	1	2	2	76
	5	2	5	5	80
	6	1	2	2	83
	15	1	2	2	85
	20	4	9	10	95
	50	1	2	2	98
	80	1	2	2	100
	Total	41	95	100	
	Missing	2	5		
Total		43	100		

No. of contacts of 7-12 months duration					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	28	65	67	67
	1	4	9	10	76
	2	1	2	2	79
	4	1	2	2	81
	5	1	2	2	83
	6	1	2	2	86
	10	3	7	7	93
	50	2	5	5	98
	60	1	2	2	100
	Total	42	98	100	
	Missing	1	2		
Total		43	100		

No. contracts greater than 1 year duration					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	27	63	64	64
	1	4	9	10	74
	2	2	5	5	79
	3	1	2	2	81
	5	1	2	2	83
	6	1	2	2	86
	7	1	2	2	88
	10	1	2	2	90
	12	1	2	2	93
	18	1	2	2	95
	20	1	2	2	98
	50	1	2	2	100
	Total	42	98	100	
	Missing	1	2		
Total		43	100		

Contract length	Total workers	%
Less than one day	548	8
1-6 days	1569	24
1-3 weeks	3182	49
1-3 months	635	10
4 months or more	595	9
Total	6529	100

A.15. Since you commenced business as a 'labour hire firm', has the average length of contracts become longer, shorter, or remained the same?

('✓'one box only)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Longer	19	44	48	48
	Shorter	6	14	15	63
	Remained the same	15	35	38	100
	Total	40	93	100	
	Missing	3	7		
Total		43	100		

A.16. Do your clients use labour hire mostly for:

('✓'one box only)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Temporary staff	1	2	3	3
	Specialist skills	2	5	5	8
	Meet peak demands	18	42	49	57
	Special projects	6	14	16	73
	Manage whole function	1	2	3	76
	Other	9	21	24	100
	Total	37	86	100	
	Missing	6	14		
Total		43	100		

A.17. **In 1998**, what proportion of your clients are repeat customers?

(Estimate if exact figures are not known.)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	40	1	2	2	2
	50	5	12	12	14
	60	1	2	2	17
	75	1	2	2	19
	80	10	23	24	43
	85	3	7	7	50
	86	1	2	2	52
	90	8	19	19	71
	95	2	5	5	76
	98	1	2	2	79
	100	9	21	21	100
	Total	42	98	100	
	Missing	1	2		
Total		43	100		

B. Recruitment and working arrangements

B. 1 How do you find new workers?

('✓' one box or more.)

	No.	Per cent
Own database	32	27
Recruitment/employ. services	3	3
Newspaper advertisements	31	26
Trade of magazine adverts	6	5
TAFE/training institution	6	5
Word of mouth	36	31
Other	4	3
Total	118	100

B. 2 What qualifications do your current workers have?

(Please indicate the highest level of attainment only, and the number of staff in each category.)

	No.	Per cent
Tertiary	224	4
Trade	2876	54
Other post-school	398	8
HSC	455	9
No HSC	1326	25
Total workforce	5279	100

B. 3 How many years experience do your workers have in their current field of employment?

(Please indicate the number of workers in each category.)

	No.	Per cent
No experience	36	1
< 1 year	269	7
1 - 5 years	1496	38
6 - 15 years	1532	39
16 - 30 years	532	14
30 years or more	52	1
Total workforce	3917	100

B. 4. What are your **primary** selection criteria for hiring new workers?
(Please rank in order of importance, 1 = most important etc.)

	Rank of 1	Rank of 2	Rank of 3	Rank of 4	Rank of 5	Rank of 6
Qualifications	15	6	3	3	1	3
Years of experience	4	10	6	6	4	0
Type of experience	7	10	11	1	3	0
References	3	1	6	11	7	2
Aptitude test results	0	1	2	3	3	11
Interview results	2	4	4	6	8	4
Other	3	0	0	0	0	0

B. 5. Do you often have difficulties recruiting appropriate workers?

(If yes, briefly describe difficulties.)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	21	49	53	53
	No	19	44	48	100
	Missing	3	7		
	Total	43	100	100	

B. 6. Has it become more or less difficult to recruit workers in the **last two years**?

('✓' one box only.)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	More difficult	11	26	26	26
	Less difficult	2	5	5	31
	Remained the same	29	67	69	100
	Missing	1	2		
	Total	43	100	100	

B. 7. Do any of your current labour hire workers belong to a trade union?

(✓one box only)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	30	70	71	71
	No	6	14	14	85
	Don't know	6	14	14	100
	Missing	1	2		
	Total	43	100	100	

If yes, which union(s) and what proportion of your workers are members?

Unions that respondents indicated their workforce had membershi

Union	Firms
AMWU	14
AWU	7
CFMEU	6
TWU	3
ETU	3
FEDFA	2
CEPU	2
metal	2
BLF	2
NUW	2
ASU	1
MWU	1
MEWU	1
MEU	1
CATE	1
CFMWU	1
MWU	1
MEWU	1
MEU	1
CATE	1
CFMWU	1
"Meat"	2
"Timber"	1

Respondents by percentage of workforce a union member		
	No. of firm	% of firms
0% members	2	7
1-19% members	1	4
20-39% members	3	11
40-59% members	3	11
60-79% members	4	14
80-99% members	6	21
All members	9	32
Total	28	100

Note: Data relate to 28 firms that had at least one entry on this part of the questionnaire.

It is likely that some firms with zero union membership did not think the question was relevant to them.

B. 8. What type of employment arrangement do you have with your workers?
(e.g. most staff covered by awards, collective agreement, individually negotiated contract etc.)

	Number
Awards	27
Collective agreements	11
Individually negotiated con	12
Host/client agreements	3
Other	2
Total	

C. Training

C. 1 Do you expect your labour hire employees to undertake ongoing training?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	23	53	55	55
	No	19	44	45	100
	Total	42	98	100	
	Missing	1	2		
Total		43	100		

C. 2.. Who funds your workers' training?
*('✓' one box in each **row**, to indicate who funds each type of training.)*

Funds induction training:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Employee funds	1	2	5	5
	Labour hire firm funds	11	26	50	55
	Client firm funds	10	23	45	100
	Total	22	51	100	
	Missing	21	49		
Total		43	100		

Funds safety training:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Employee funds	2	5	9	9
	Labour hire firm funds	14	33	61	70
	Client firm funds	7	16	30	100
	Total	23	53	100	
	Missing	20	47		
Total		43	100		

Funds trade training:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Training not undertaken	5	12	22	22
	Employee funds	10	23	43	65
	Labour hire firm funds	6	14	26	91
	Client firm funds	1	2	4	96
	Government funds	1	2	4	100
	Total	23	53	100	
	Missing	20	47		
Total		43	100		

Funds qualification update training:					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Training not undertaken	3	7	13	13
	Employee funds	14	33	58	71
	Labour hire firm funds	7	16	29	100
	Total	24	56	100	
	Missing	19	44		
Total		43	100		

Funds post-trade training:					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Training not undertaken	4	9	17	17
	Employee funds	14	33	58	75
	Labour hire firm funds	5	12	21	96
	Client firm funds	1	2	4	100
	Total	24	56	100	
	Missing	19	44		
Total		43	100		

C. 3. What percentage of your firm's payroll is spent on training?

(Training includes any type of formal instruction, either class room or on the job.)

	Per cent of payroll:	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Nothing	3	7	14	14
	1%	5	12	24	38
	2%	1	2	5	43
	3%	2	5	10	52
	5%	2	5	10	62
	7%	1	2	5	67
	8%	2	5	10	76
	10%	1	2	5	81
	15%	1	2	5	86
	20%	3	7	14	100
	Total	21	49	100	
	Missing	22	51		
Total		43	100		

C. 4. The following are some statements which people have made about vocational education and training in Australia. Please indicate whether you strongly agree, agree, neither agree nor disagree, or disagree with the statements. *('✓'one box in each row.)*

	Better to recruit trained staff	Training pays for itself	Qualifications don't show skills	Skills better- in-house training
	No.	No.	No.	No.
Strongly agree	12	9	8	8
Agree	19	21	27	10
Neither agree/disagree	6	9	5	20
Disagree	3	2	1	2
Strongly disagree	1	0	0	0

Percentage distribution

	Better to recruit trained staff	Training pays for itself	Qualifications don't show skills	Skills better- in-house training
	%	%	%	%
Strongly agree	29	22	20	20
Agree	46	51	66	25
Neither agree/disagree	15	22	12	50
Disagree	7	5	2	5
Strongly disagree	2	0	0	0

C. 5. What are the current incentives for your firm to invest in training?

('✓'one box or more.)

	No.	Per cent
Plan for future skill requirements.	15	35
Government incentives.	5	12
Union encouragement.	4	9
Retain good employees.	24	56
Commitment to training.	11	26
Improve present skills.	20	47
Other	4	9
Total respondents	43	

C. 6. What are the current barriers, if any, to your firm providing training?
(e.g. return on investment, retention of trained staff, prohibitive cost, cost of downtime etc.)

Barriers to training					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Return on investment	6	14	20	20
	Retention of trained staff	5	12	17	37
	Prohibitive cost	3	7	10	47
	Cost of down-time	3	7	10	57
	Govt downsizing industry	1	2	3	60
	Economic climate	1	2	3	63
	Lack of motivation	1	2	3	67
	Funding cuts to training institutes	1	2	3	70
	Lack of suitable employers	1	2	3	73
	Apprentice programs too rigid	1	2	3	77
	Short term employment	1	2	3	80
	Lack of work	1	2	3	83
	Other	5	12	17	100
	Total	30	70	100	
	Missing	13	30		
Total		43	100		

D. Apprenticeships

D. 1. Are there currently any apprentices employed in your firm?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	6	14	14	14
	No	36	84	86	100
	Total	42	98	100	
	Missing	1	2		
Total		43	100		

(If yes, in what trades and how many apprentices?)

Type of trade	No. of apprentices
Engin. Mechanical	3
Engin. Fabrication	3
Boiler maker	3
Electrical	400
Fitter	1
Electrical mechanic	3
Metal	60

D. 2. Do you plan to take on any new apprentices **in 1998**?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	6	14	15	15
	No	35	81	85	100
	Total	41	95	100	
	Missing	2	5		
Total		43	100		

(if you answered no to both D1 & D2, go to D.6)

(If yes, in what trades and how many apprentices?)

		No. of firm
Valid	mechanical fitter	1
	undecided	3
	Total	4

D.3. Where do you find potential apprentices?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Group training companies	5	12	38	38
	TAFE/training providers	0	0	0	38
	Advertisements	1	2	8	46
	Word of mouth	1	2	8	54
	Other	6	14	46	100
	Total	13	30	100	
	Missing	30	70		
Total		43	100		

D.4. Compared with other staff, do you ever have difficulty in placing apprentices with clients?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	10	23	67	67
	No	5	12	33	100
	Total	15	35	100	
	Missing	28	65		
Total		43	100		

If yes, please indicate reasons:

D. 5. At what level do you recruit apprentices? *('✓' one box or more.)*

	No.
First year	7
Second year	5
Third year	3
Fourth year	5

Why do you recruit at this particular level?

D. 6. If you did take apprentices, at which level would you recruit them?

	No.
First year	11
Second year	6
Third year	6
Fourth year	11

Why would you recruit at this particular level?

D. 7. Do/would your clients hire apprentices through your existing labour hire arrangements?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	10	23	26	26
	No	17	40	45	71
	Don't know	11	26	29	100
	Total	38	88	100	
	Missing	5	12		
Total		43	100		

If yes or no, please indicate reasons:

D. 8. What are the current barriers, if any, to employing apprentices for your firm?
(e.g. length of contract required, cost, client reluctance to hire etc.)

D. 9. What changes or incentives would encourage your firm to employ apprentices?

NOTES